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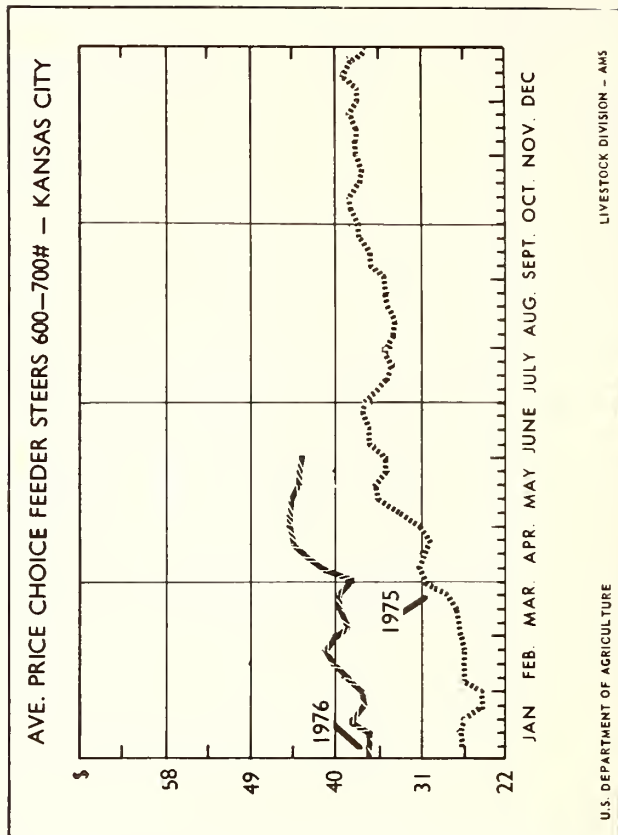
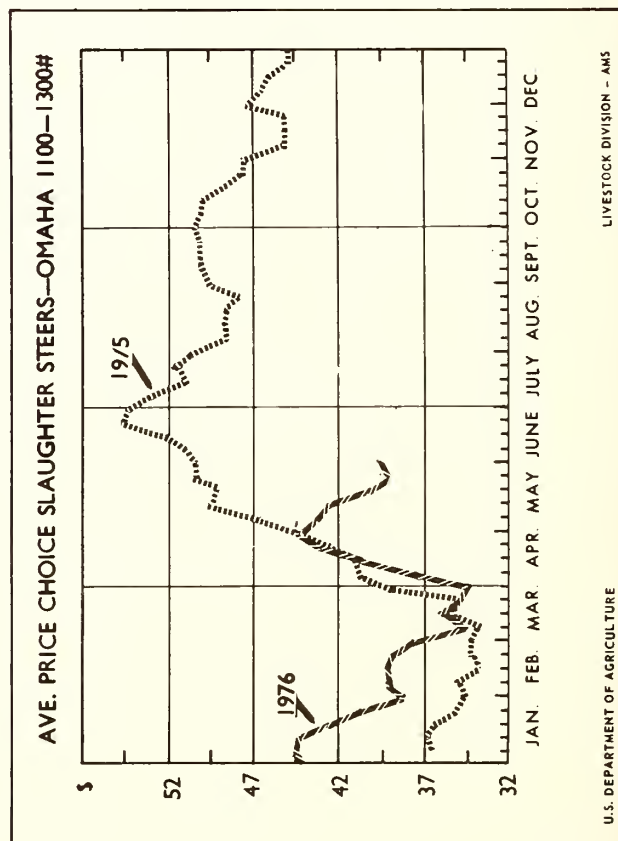
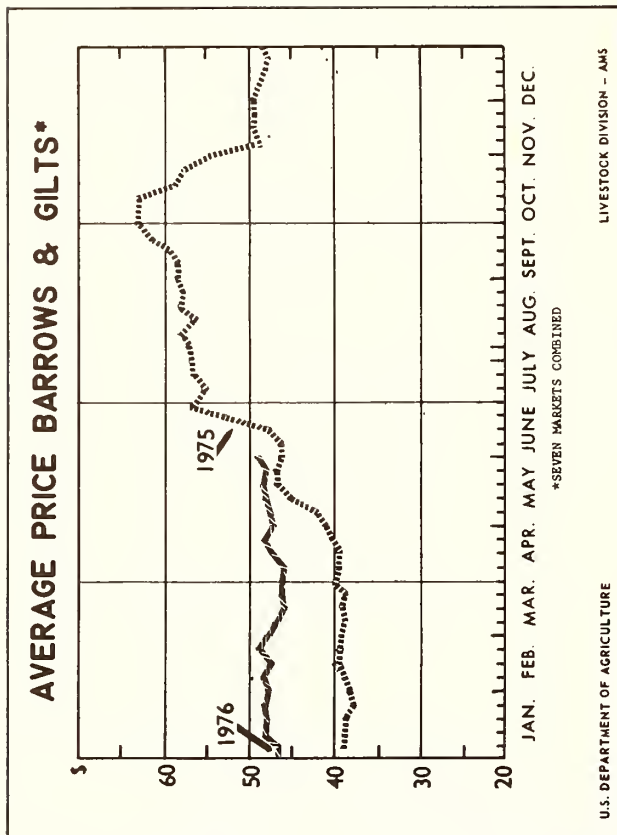
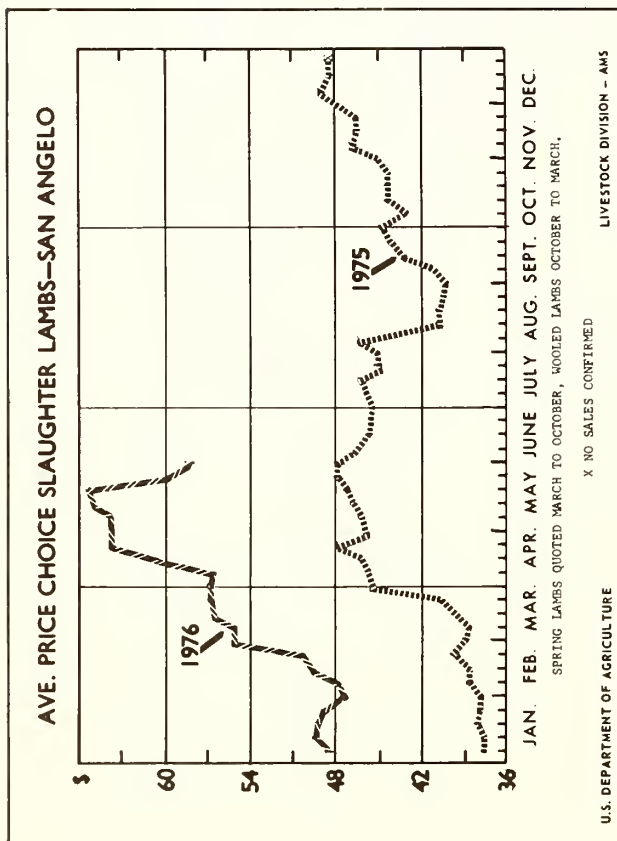
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JUNE 1976

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# LIVESTOCK AND MEAT Situation





# LIVESTOCK AND MEAT SITUATION

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Approved by  
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and Summary released  
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Written by  
George Hoffman  
Eldon Ball

Commodity Economics Division

Economic Research Service

U.S. Department of Agriculture  
Washington, D.C. 20250

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## SUMMARY

Cattle and hog feeding are expanding from depressed 1975 levels. However, further increases in feeding will depend to a large extent on crop conditions this summer which will determine this year's feed grain crop and the resultant cost of feed.

While feed supply forecasts are still very tentative, early indications point to a record corn crop and prospects for a sizable increase in feed grain supplies available to livestock feeders through the 1976/77 feeding year. If current domestic and world crop expectations materialize and feeding costs trend lower, fed beef production in 1977 could reach or exceed 1972's record level, about offsetting the anticipated downtrend in production from nonfed cattle. Also, the expansion underway in farrowings this year would extend into 1977, perhaps boosting next year's pork output near or above 1974's level.

Summer weather will also have a bearing on the cattle market for the balance of 1976. Fed beef production may run 20 to 25 percent over year-earlier levels through 1976. But with favorable range and pasture conditions, declining nonfed cattle slaughter during the last half of this year could be more than offsetting, reducing total cattle slaughter 5 percent or more from the second half of 1975. However, a higher proportion of fed cattle in the mix would substantially increase average slaughter weights and hold total beef production near last year's July-December level. Nevertheless, cattle slaughter for the entire year should total near 1975's 41 million head, with increased weights boosting beef output 3 to 5 percent over last year's record.

After sharp gains in April, fed cattle prices slipped lower again in May. Choice steers at Omaha fell below \$40 per 100 pounds late in the month, producing substantial losses for most cattle feeders; but price strength still appears to be in prospect through the summer. Judging from April and May cattle-on-feed inventories, fed cattle marketings through the summer and fall may not significantly exceed second quarter levels and will continue well below 1972 peaks. If nonfed

slaughter rates continue lower as expected, seasonally reduced beef output through the summer could boost fed cattle prices back into the mid- to upper \$40's before slipping seasonally lower in the fall.

Hog slaughter and pork production through the spring have been running somewhat above earlier expectations. While this might suggest hog inventories are increasing faster than indicated by earlier pig crops, an unusually mild winter in the Midwest and favorable weight gains may also be pushing hogs to market sooner than normal. April-June commercial pork production may total only slightly below both first quarter and depressed year-earlier levels.

The June Hogs and Pigs report will update earlier prospects for second half hog slaughter which were based on producers' plans to expand the spring pig crop. This pig crop could be somewhat larger than the 12-percent rise in farrowings indicated last March, but significant increases above that level seem unlikely. Breeding for the latter part of the spring pig crop had to be completed by February. Any plans for expansion since March would be reflected in the fall pig crop and in hog slaughter in early 1977.

Seasonal declines in hog slaughter around mid-

year will likely be smaller than usual this year, followed by substantial increases in slaughter by early fall. The 13 to 15-percent increase in second half pork output currently expected would raise production for the year about 5 to 7 percent over 1975's 10-year low. Hog prices have been remarkably stable for the past 7 months, fluctuating mostly between \$47 to \$50 per 100 pounds. Prices could rise seasonally into the low \$50's around midyear before trending lower through most of the second half.

A strong recovery in pork production during 1977 is likely if this year's corn crop meets expectations. Planned expansion for the 1976 fall pig crop stems from the favorable returns to producers over the past year and a half. The stability in the hog market in recent months at a profitable level is another encouraging factor. If domestic and world feed crops are large and corn prices begin to slip later this year, lower returns from cash grain sales may also stimulate pork output from those hog producers who typically grow their own feed. If so, continued expansion in the 1977 spring pig crop may raise pork production next year to near or above 1972 and 1974 levels,—a gain of around 15 percent from 1976.

## SITUATION AND OUTLOOK

Commercial Meat Production and Livestock Prices

	1974		1975				1976			
	III	IV	I	II	III	IV	I	II <sup>1</sup>	III <sup>1</sup>	IV <sup>1</sup>
<b>Production:</b>										
Beef (mil. lb.) . . . . .	5,751	6,021	5,842	5,593	5,942	6,295	6,491	6,100	6,100	6,200
% Δ year earlier . . . .	+15	+7	+8	-1	+3	+5	+11	+9	+3	-2
% Δ previous qtr . . . .	+2	+5	-3	-4	+6	+6	+3	-6	-0	+2
Pork (mil. lb.) . . . . .	3,243	3,431	3,044	2,923	2,512	2,836	2,895	2,850	2,900	3,200
% Δ year earlier . . . .	+16	+3	-10	-17	-23	-17	-5	-2	+15	+13
% Δ previous qtr . . . .	-8	+6	-11	-4	-14	+13	+2	-2	+2	+10
Lamb and Mutton (mil. lb.) . . . . .	118	108	102	96	104	98	95	87	95	95
% Δ year earlier . . . .	-8	-12	-14	-12	-12	-9	-7	-9	-9	-3
% Δ previous qtr . . . .	+8	-8	-6	-6	+8	-6	-3	-8	+9	0
Veal (mil. lb.) . . . . .	121	154	166	182	232	247	206	160	140	120
% Δ year earlier . . . .	+66	+93	+100	+117	+92	+60	+24	-12	-40	-51
% Δ previous qtr . . . .	+44	+27	+8	+10	+27	+7	-17	-22	-12	-14
Total Red Meat mil. lb.	9,233	9,714	9,154	8,794	8,790	9,476	9,687	9,297	9,235	9,615
% Δ year earlier . . . .	+16	+6	+2	-6	-5	-2	+6	+5	+5	+1
% Δ previous qtr . . . .	-1	+5	-6	-4	0	+8	+2	-5	0	+4
<b>Prices \$/cwt:</b>										
Choice steers, Omaha 900-1100 lb. . . . .	43.91	38.19	35.72	48.03	48.64	46.04	38.71	42.44	46-48	44-46
Barrows & gilts, 7 mkts	36.59	39.06	39.35	46.11	58.83	52.20	48.00	48-50	46-48	42-44
Slaughter lambs, 5 mkts	37.97	36.71	40.28	46.89	42.51	45.03	49.43	57-59	48-50	46-48

<sup>1</sup> Forecast.



## GENERAL PROSPECTS

The outlook for livestock production and prices for the next year and a half will be heavily influenced by weather and domestic and world crop conditions over the next 3-4 months. Favorable returns to livestock feeders last year and the increase in feed grain supplies available for the current feeding year have prompted a turnaround in cattle and hog feeding, but the recovery is from an unusually low level. April 1 cattle-on-feed inventories were still 18 percent below the 1973 record, and March 1 hog inventories were about a fifth under 1971 peaks.

The pickup in feeding this year was encouraged by profits to feeders during the last three quarters of 1975 as fed cattle and hog prices rose to record levels while feed grain prices trended lower.

Another large feed grain crop this year would encourage continued increases in feeding through 1976/77, but most feeders will not likely commit themselves to a sustained major expansion program until there are further developments in this year's crops. In March, hog producers indicated plans to expand farrowings for the spring pig crop by 12 percent, but this regains less than half the decline of the year before. Placements of cattle on feed were unusually large during January-April considering the losses incurred in February and March. But with the weakening fed cattle market in May and the high cost of replacements, feeders may be hesitant to continue expanding without some clear prospect of lower feed costs, or a substantial boost in fed cattle prices.

Current prospects for feed grain supplies and prices for the 1976/77 feeding year are still very tentative. Weather and moisture conditions during July and August will be critical. Feed grain export demand will play a key role in feeding costs even if U.S. crops are large. These uncertainties will have a strong bearing on the magnitude of response in livestock feeding through most of 1977.

Theories of 20-year drought cycles, an unusually dry winter in many major grain producing areas, and drought damage to the winter wheat crop have all caused concern about crop growing conditions this summer. Even so, nearly all indications through May, including the progress of spring planting, point to a sizable increase in the feed grain crop. Unusually mild weather allowed an early completion of spring planting this year, and topsoil moisture has been adequate in most areas. Also, lower fertilizer prices this spring encouraged greater use than a year ago. On April 1 farmers indicated plans for an increase of about 3 million acres to feed grains with intended corn acreage the largest in nearly 30 years. Assuming normal growing conditions, this could produce a record 6.0

to 6.7-billion-bushel corn crop—up from the 5.8 billion 1975 crop. Prospects for larger supplies of feed grains and some reduction in feed grain exports, if world crop production increases as expected, would expand domestic feed availability. An expanding domestic market for meats and prospects for favorable returns in feeding operations point to a further increase in domestic feed use during the 1976/77 feeding year.

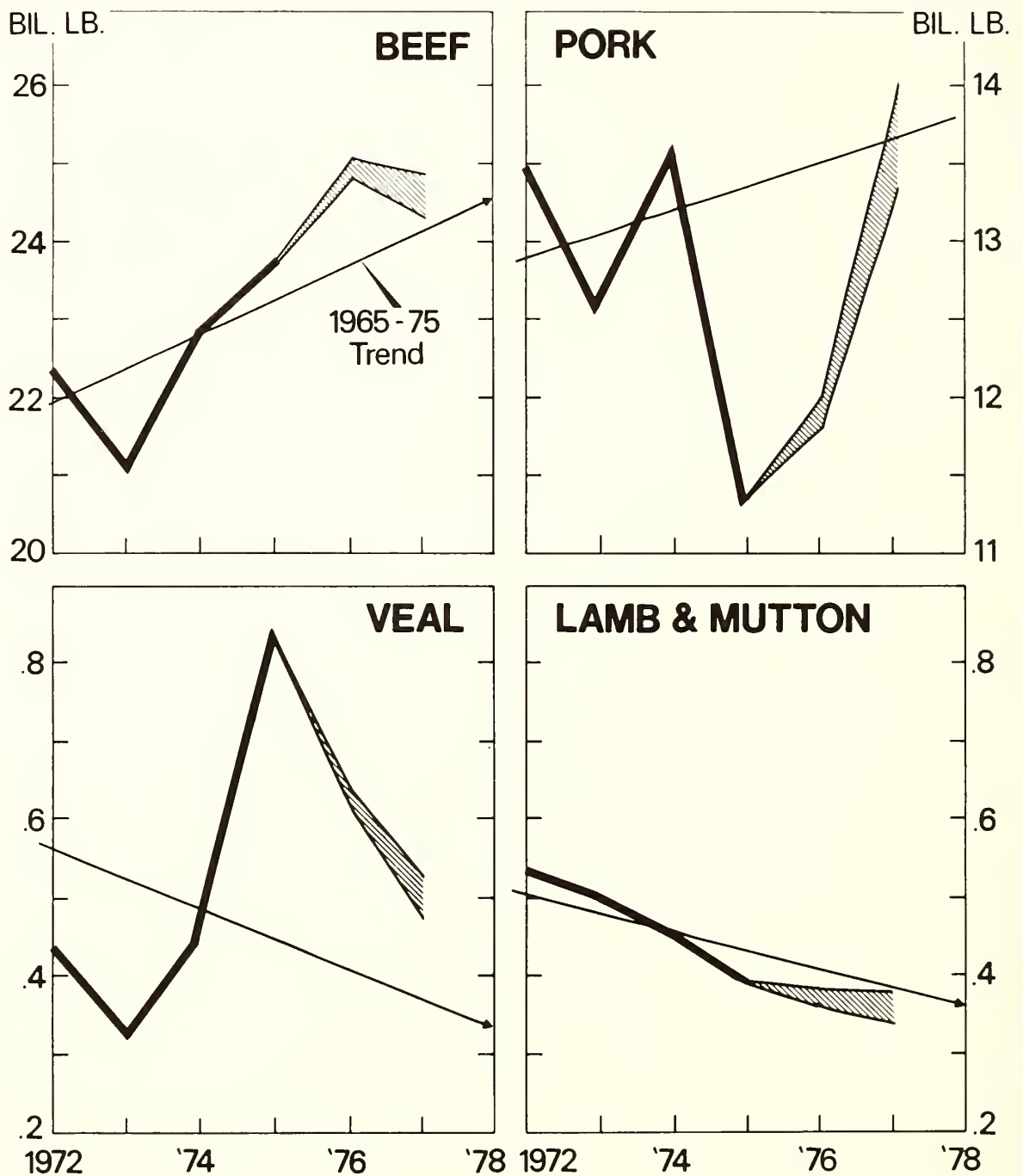
Larger crops would place downward pressures on feed grain prices by midsummer and fall, encouraging placements of cattle on feed during October-December and stimulating further increases in the spring 1977 pig crop. A lower level of feed grain prices would not only help set feeding margins for all livestock feeders but would also determine the relative profitability of cash grain versus livestock for those farmers who traditionally grow their own feed.

The sharp decline in hog numbers in 1975 was not necessarily due to lack of profit in hogs but rather to high corn prices which provided some farmers a profitable alternative in the cash grain market to the risks associated with a hog feeding operation. Much of the decline in hog numbers in 1975 was from farmers exiting the business rather than reducing the size of existing operations. Conversely, a substantial expansion in hog production would likely require an increase in the number of operations as well as expansion of existing enterprises.

A key to this reentry in to the hog business will be alternative sources of income. The farm-level price of corn this fall in comparison with the cost of producing corn will be important. In a recent USDA survey of producers, total production cost per bushel of corn ranged from \$2.06 to \$2.77 for the 1974 crop, with the range depending mainly on assumptions on land costs. If normal rather than severely depressed yields had occurred in 1974, the cost would have ranged from \$1.64 to \$2.22 per bushel. If prospective corn prices to the individual producer approach his costs, this situation could generate interest in feeding. Similarly, if prospective prices are below costs, farmers may try to improve their returns by feeding. In this respect, traditional livestock-feed price ratios as indications of expansion are of limited value. For example, a hog-corn ratio of 20 to 1 with \$60 hogs and \$3 corn might be much less favorable for hog expansion than a 20-to-1 ratio with \$40 hogs and \$2 corn.

Lower trending feed grain prices may be less favorable for expansion in cattle feeding than for hogs—especially cattle feeding in feedlots not owned by farmers. Generally, profits to cattle feeders over the past few months have not been as

# COMMERCIAL MEAT PRODUCTION



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favorable as for hogs. But, more importantly, lower feeding costs may tend to be offset by higher feeder cattle prices. Although feeder cattle supplies are still large enough to support a substantial increase in cattle feeding, the downturn in the cow herd this year and the reduced feeder cattle supply are slowly turning the feeder cattle situation from a buyers' market to a sellers' market. Increased feedlot demand for the smaller feeder cattle supply has raised feeder cattle prices to a 2-year high, even though feed costs continue relatively strong and most feeders have been in a substantial loss position. Expected increases in fed cattle prices later this year and in prospect for 1977, however, should still produce a modest expansion in cattle feeding during 1976/77.

A large feed grain crop this year would likely result in a more normal balance in livestock production than has existed since 1974. Fed cattle would make up a larger proportion of the total beef supply and pork a larger proportion of the total meat supply with red meat production adjusting closer to longer term trends. The following set of charts show estimated commercial production of beef, pork, veal, and lamb for 1976 and 1977 based on current expectations of a record corn crop of just under 6½ billion bushels this year, a moderate decline in feed costs by yearend, and no forced movement of cattle due to dry pastures.

Beef production during 1975 jumped above the 1965-75 trend, reflecting the substantial selloff of cows and other nonfed cattle following the sharp drop in cattle prices during 1974. Although cattle slaughter during 1976 may be about the same as last year, more fed cattle in the slaughter mix is raising average slaughter weights and could boost beef production 3 to 5 percent over 1975's record. Under these conditions, cattle slaughter during 1977 could decline somewhat from 1976 as modest increases in fed cattle marketings would not fully offset declines in slaughter of cows and other nonfed steers and heifers. However, fed cattle marketings next year could meet or slightly exceed 1972 record levels, and a higher proportion of fed cattle in the slaughter may further increase slaughter weights, tempering any decline in beef production.

Pork production is turning around this year following 1975's 10-year low. Increases planned earlier for the 1976 spring pig crop are expected to raise second half pork production 13 to 15 percent over a year earlier, offsetting a first half decline of 3 percent. A strong recovery in pork production in 1977 is likely if this year's corn crop meets expectations. The magnitude of the increase will be largely determined by the size of the feed grain crop and hog-corn price relationships. If domestic and world crops are large and corn prices fall into

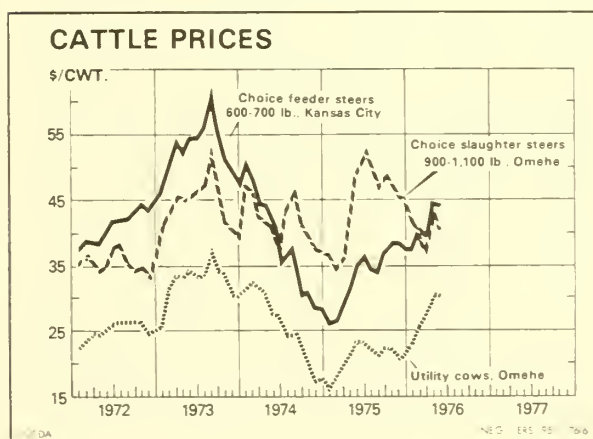
the \$2.00 to \$2.25 range at the farm by October-December, pork production next year could range some 13 to 17 percent above 1976 and be somewhat above 1972 and 1974. This would still leave pork production at or slightly below the 1965-75 trend.

Veal production seems likely to drop closer to past trends by 1977 in the event of a record corn crop this year and an increase in cattle feeding. With the reduced supply of feeder cattle available, calves may become more valuable as feeder animals than for meat. Reducing calf slaughter can effectively increase the feeder cattle supply next year even if the calf crop is smaller.

Lamb production has been decreasing steadily for several years and further declines are probable through 1977. Sharp increases in lamb prices this year may result in some stabilization of sheep and lamb inventories in 1977 or 1978.

Any forecast which relies on weather conditions has obvious limitations. A smaller than expected corn crop or drought-induced liquidation of cattle herds this summer would significantly alter current expectations of livestock production through the middle of 1977. If feed grain prices hold up or rise from current levels through the harvest season, next year's red meat production would not be as large as expected under more abundant crops. Pork production in 1977 might still increase from 1976, but gains would be smaller, supporting hog prices especially in the second half of the year. Similarly, fed beef production in 1977 would gain little, if any, from 1976. Dry pastures this summer would also prompt further liquidation of cow herds, raising beef production and lowering prices this fall, followed by moderate reductions in beef output by the spring of 1977.

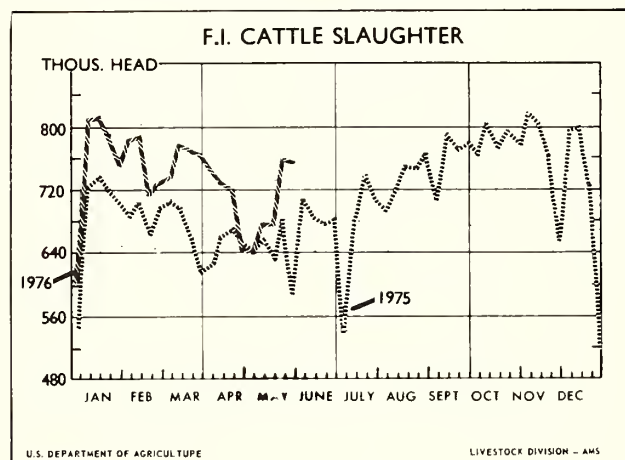
## CATTLE



After a sharp runup in fed cattle prices during late March and April, prices turned unexpectedly lower again in May. Choice steer prices fell nearly

\$10 per 100 pounds between the beginning of the year and mid-March, while beef production increased to record levels. As slaughter rates began to slip in late March and April, prices rose sharply and in the following 4 weeks briefly regained price levels of earlier in the year. Weekly slaughter rates continued lower through late April and early May, but prices also dropped off. By mid-May Choice steers at Omaha were selling below \$40 again—well below production costs for most feeders. The downturn in fed cattle prices in May came at a time when feeding costs were rising, reflecting earlier increases in feeder cattle prices and an upturn in grain prices.

While fed cattle prices are often oversensitive to supply conditions in the short term, moving higher



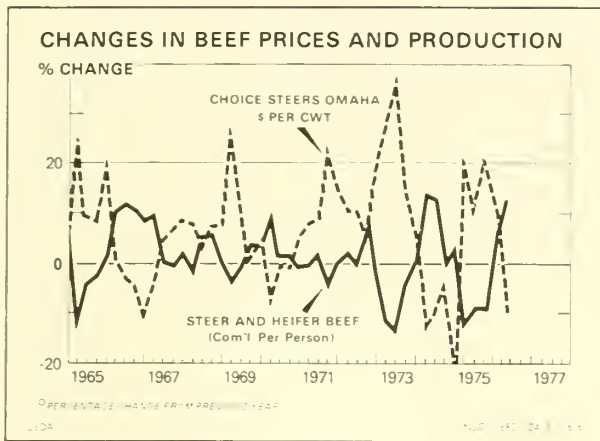
or lower than expectations, the downturn in the fed market in May was somewhat perplexing considering the smaller slaughter supply. Although only limited information is available, an accumulation of privately-owned boxed beef stocks may have limited wholesale demand during early May even though immediate slaughter supplies were reduced. Retailers often plan promotion campaigns a few weeks in advance and may have taken advantage of the low Choice beef market in late March to build boxed beef stocks for later sale. Forward buying helped fuel the price advance in April, then led to price weakness in May as immediate needs were at least partially filled from stocks.

Most feedlots were fairly current on marketings through April, but in early May, when prices began to slip, feeders resisted and cut back on marketings. Estimates of steer slaughter under Federal inspection, for example, fell from about 330,000 to 350,000 head in April to about 275,000 head in

# Federally inspected cattle slaughter,

Week ended 1976 <sup>1</sup>	Cattle		Steers		Cows	
	1975	1976	1975	1976	1975	1976
	Thou.	Thou.	Thou.	Thou.	Thou.	Thou.
Jan. 10 .....	730	818	350	313	190	251
17 .....	740	837	366	328	175	253
24 .....	723	795	353	327	182	225
31 .....	707	755	351	301	165	222
Feb. 7 .....	692	788	355	336	147	210
14 .....	706	795	355	343	164	189
21 .....	668	717	334	308	152	184
28 .....	700	730	363	318	141	178
Mar. 6 .....	712	742	356	330	159	166
13 .....	702	778	373	362	143	154
20 .....	662	775	330	356	149	168
27 .....	611	765	319	356	134	159
Apr. 3 .....	631	751	314	358	143	146
Apr. 10 .....	662	732	328	331	155	157
17 .....	674	725	337	334	158	157
24 .....	654	644	320	282	160	155
May 1 .....	649	644	320	275	154	168
May 8 .....	661	687	325	315	157	157
15 .....	638	733	296	344	171	163
22 .....	680	761	323		175	
29 .....	592	752	280		150	
June 5 .....	716		342		175	
12 .....	686		307		186	
19 .....	680		295		194	
26 .....	686		302		195	
July 3 .....	552		250		154	
July 10 .....	682		299		201	
17 .....	739		317		225	
24 .....	710		297		208	
31 .....	695		293		206	
Aug. 7 .....	721		305		212	
14 .....	744		315		220	
21 .....	750		307		220	
28 .....	768		312		223	
Sept. 4 .....	671		275		185	
11 .....	794		313		226	
18 .....	779		298		238	
25 .....	783		294		249	
Oct. 2 .....	768		273		254	
Oct. 9 .....	810		294		262	
16 .....	774		284		257	
23 .....	802		284		270	
30 .....	785		283		268	
Nov. 6 .....	821		291		282	
13 .....	805		289		275	
20 .....	766		275		280	
27 .....	650		248		221	
Dec. 4 .....	802		286		290	
11 .....	808		288		292	
18 .....	725		266		260	
25 .....	517		212		159	
Jan. 1 .....	606		250		180	

<sup>1</sup> Corresponding date: January 11, 1975.



early May. Some backlog of fed cattle then kept downward pressure on prices through the end of the month as slaughter rates and average weights picked up again.

#### Fed Beef Output Larger, But Not Excessive

Fed cattle marketings may run 20 to 25 percent over year-earlier levels for the balance of 1976 but will not likely reach 1972 peaks. Even considering increased pork and broiler production, fed beef supplies at these levels would not appear to be a burden on the market if the level of nonfed slaughter continues lower.

The April 1 cattle-on-feed inventory in 23 States totaled 10.9 million head, a 28-percent increase from a year earlier but still well below 1969-74 levels. The 12-percent seasonal decline in inventories between January 1 and April 1 was as large as the decline in 1975, when feeders were cutting back sharply on feeding following a year and a half of financial losses. A more typical seasonal decline, as observed during 1971-74, would be 4 to 6 percent. The larger than normal seasonal drop in inventories followed record fed cattle marketings in March and a cutback on placements.

Last April, cattle feeders indicated intentions to market about 6 million fed cattle during April-June—18 percent more than the low year-earlier level but still fewer than 1970 to 1974 spring quarter marketings and 6 percent fewer than January-March. Cattle on feed in the heavier weight group (steers over 900 pounds plus heifers over 700 pounds) that typically supply second quarter marketings totaled 4.4 million head, up 35 percent from last year. Heifers in the heavier weight group were up over 50 percent, while steers were up 27 percent. Judging from past relationships between the number of cattle on feed in these weight groups and April-June marketings, feeders could meet or

slightly exceed their planned intentions. The higher proportion of heifers in second quarter fed marketings may help to hold overall average slaughter weights down somewhat.

Fed cattle marketings through the summer quarter may run close to the 6-million mark—about the same as the second quarter and around a fourth larger than a year earlier. April 1 steers on feed weighing 700-900 pounds and heifers weighing 500-700 pounds usually provide a good indication of July-September marketings. This year, there were almost 30 percent more cattle on feed in these weight groups than a year ago but still fewer than in 1969-74. Placements of cattle on feed during April in seven States were record large for that month, which might indicate summer quarter marketings could somewhat exceed April 1 indications. However, considering the downturn in the fed cattle market in May, the losses being incurred by feeders, high replacement cattle prices, and the upturn in the grain market, placements during May and June may not be unusually large and may hold down the potential for late summer and early fall marketings. Feeder cattle and feed price levels in May would require fed cattle prices in the upper \$40's later this year to cover all costs of production. At the end of May, futures contracts for October and December delivery of fed cattle rose to

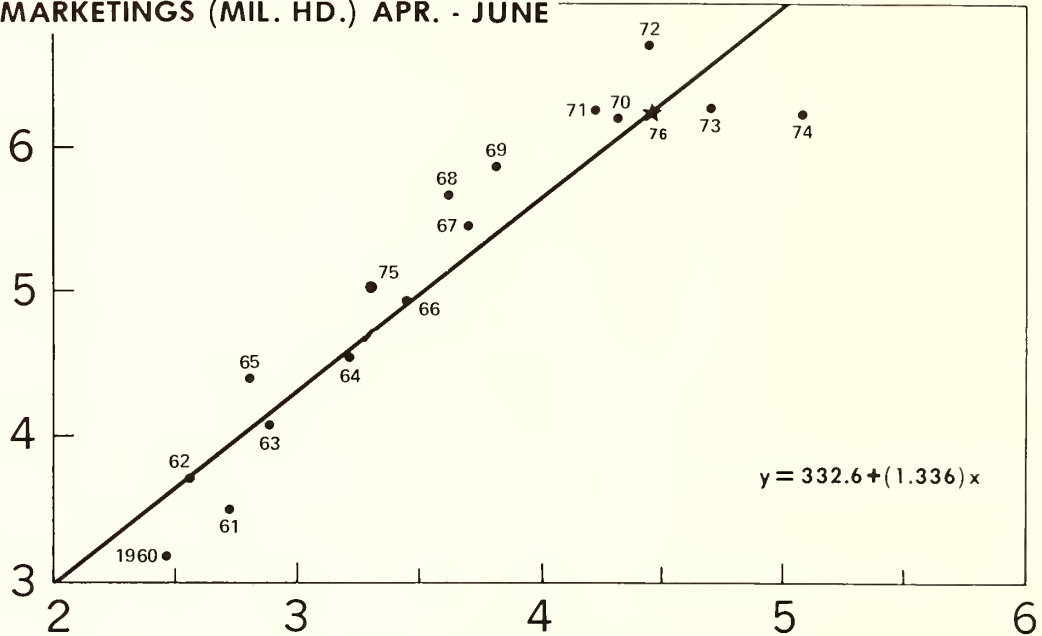
Cattle on feed, placements and marketings, 23 States

Item	1973	1974	1975	1976	1976/ 1975
	1,000 head	1,000 head	1,000 head	1,000 head	Percent change
On feed Jan. 1 . . . .	13,861	13,067	9,619	12,296	+28
Placements, Jan.- March . . . . .	6,040	5,808	4,758	5,439	+14
Marketings, Jan.- March . . . . .	6,585	5,999	5,512	6,350	+15
Other disappear- ance Jan.-Mar. . . .	N.A.	566	392	513	+31
On feed Apr. 1 . . . .	13,316	12,310	8,473	10,872	+28
Steers & steer calves . . . . .	9,466	9,025	5,996	7,306	+22
-500 lb. . . . .	586	498	267	247	-7
500-699 lb. . . .	2,694	2,220	1,570	1,823	+16
700-899 lb. . . .	3,054	2,707	1,997	2,491	+25
900-1,099 lb. . .	2,628	2,642	1,715	2,264	+32
1,100 + lb. . . .	504	958	447	481	+8
Heifers & heifer calves . . . . .	3,793	3,202	2,410	3,501	+45
-500 lb. . . . .	538	398	240	380	+58
500-699 lb. . . .	1,682	1,324	1,040	1,418	+36
700-899 lb. . . .	1,188	1,024	789	1,202	+52
900 + lb. . . . .	385	456	341	501	+47
Cows . . . . .	57	83	67	65	-3
Marketings, April-June . . . . .	6,283	6,271	5,028	<sup>1</sup> 5,957	+18

<sup>1</sup> Intentions.

# CATTLE ON FEED AND MARKETINGS

MARKETINGS (MIL. HD.) APR. - JUNE

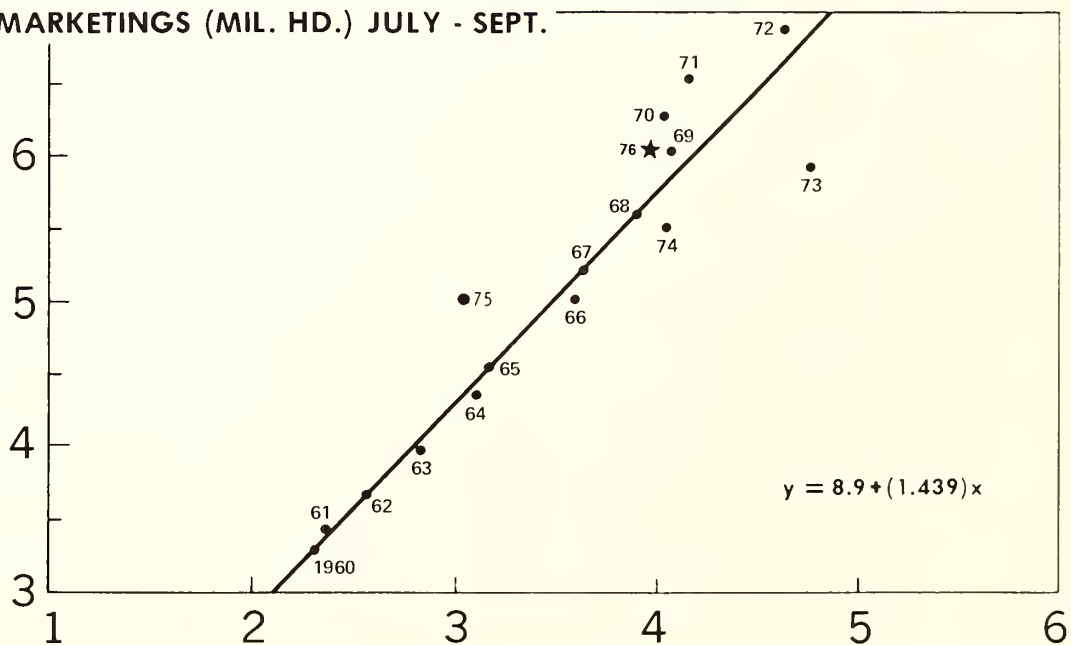


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NEG. ERS 2014-76(5)

# CATTLE ON FEED AND MARKETINGS

MARKETINGS (MIL. HD.) JULY - SEPT.



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NEG. ERS 2015-76(5)



# 7 States Cattle on Feed

	1974	1975	1976	1976/ 1975
	1,000 head	1,000 head	1,000 head	Percent change
On feed Apr. 1 . . . .	8,803	5,598	7,525	+34
Ariz. . . . .	558	329	422	+28
Calif. . . . .	962	479	753	+57
Colo. . . . .	864	688	845	+23
Iowa . . . . .	1,740	1,160	1,420	+22
Kansas . . . . .	1,080	860	1,200	+40
Nebr. . . . .	1,380	960	1,210	+26
Tex. . . . .	2,219	1,122	1,675	+49
Placed Apr. . . . .	1,341	1,377	1,617	+17
Ariz. . . . .	60	77	78	+1
Calif. . . . .	123	154	159	+3
Colo. . . . .	140	171	198	+16
Iowa . . . . .	243	216	230	+6
Kans. . . . .	169	250	290	+16
Nebr. . . . .	330	275	377	+37
Tex. . . . .	276	234	285	+22
Marketed Apr. . . . .	1,629	1,275	1,502	+18
Ariz. . . . .	76	65	78	+20
Calif. . . . .	166	94	134	+43
Colo. . . . .	180	168	190	+13
Iowa . . . . .	275	210	230	+10
Kans. . . . .	220	205	280	+37
Nebr. . . . .	320	275	260	+95
Tex. . . . .	392	258	330	+28
Other disappearance	164	111	121	+9
Ariz. . . . .	8	6	14	+133
Calif. . . . .	28	35	35	0
Colo. . . . .	20	6	8	+33
Iowa . . . . .	48	16	20	+25
Kans. . . . .	9	5	10	+100
Nebr. . . . .	20	10	7	-30
Tex. . . . .	31	33	27	-18
On feed May 1 . . . .	8,351	5,589	7,519	+35
Ariz. . . . .	534	335	408	+22
Calif. . . . .	891	504	743	+47
Colo. . . . .	804	685	845	+23
Iowa . . . . .	1,660	1,150	1,400	+22
Kans. . . . .	1,020	900	1,200	+33
Nebr. . . . .	1,370	950	1,320	+39
Tex. . . . .	2,072	1,065	1,603	+51

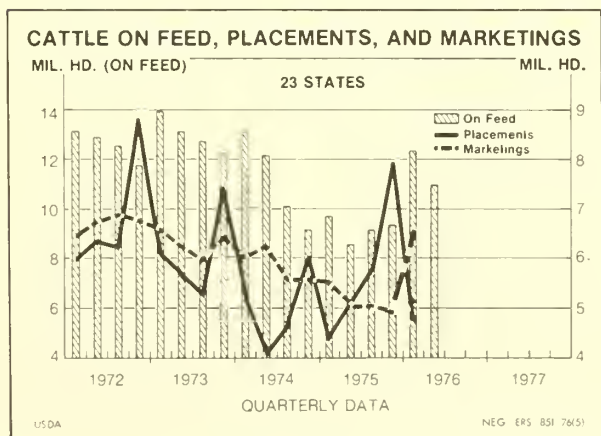
about \$46-\$47. But this still does not provide a clear-cut signal for substantial expansion in placements until the fed cattle market picks up or feed costs decline.

Typically, the pace of fed cattle marketings for the year is nearly determined by the second quarter. Except for 1974, third quarter marketings over the past 15 years have always ranged within 5 percent of the second quarter level and, over the period, have averaged the same for the two quarters. Fourth quarter marketings also show a strong relationship with the spring quarter level. Except for 1973, fourth quarter marketings in 23 States have ranged only from 2 percent above to 6 percent below the second quarter since 1960. October-December marketing have exceeded April-June levels only four times in the past 15 years and only



in 1973, when marketings were up 9 percent, did the increase exceed 2 percent. The average variance between the second and fourth quarters has been a decline of about 1 percent.

Unusual circumstances can certainly alter past seasonal patterns, as was the case in 1973 and 1974. But placement rates since last October have not shown unusual seasonal variation. This might suggest a rather stable marketing pattern this year, with second, third, and fourth quarter fed cattle marketings running near 6.0 to 6.2 million per quarter. If so, total marketings from 23 States





Gross cattle feeding margins<sup>1</sup>

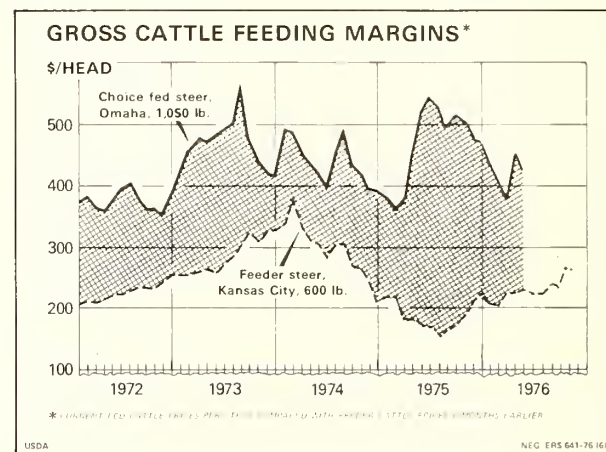
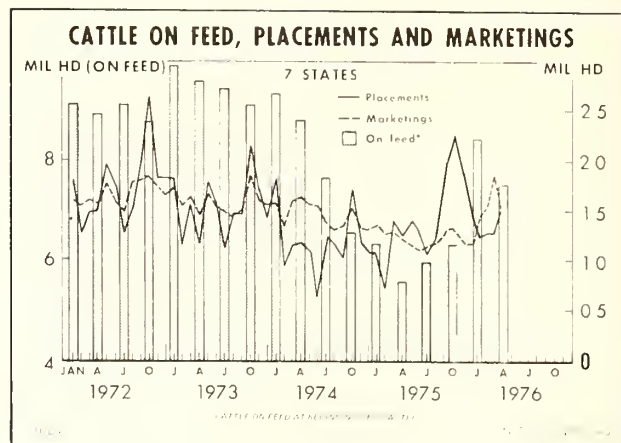
Year	Fed cattle <sup>2</sup>	Feeder cattle <sup>3</sup>	Gross margin
	Dollars per steer	Dollars per steer	Dollars per steer
1973			
January .....	427	252	175
February .....	457	252	205
March .....	479	260	219
April .....	473	265	208
May .....	480	259	221
June .....	491	275	216
July .....	500	284	216
August .....	556	306	250
September .....	474	324	150
October .....	440	311	129
November .....	421	327	94
December .....	413	329	84
1974			
January .....	495	339	156
February .....	487	374	113
March .....	450	330	120
April .....	436	311	125
May .....	425	306	119
June .....	399	286	113
July .....	459	303	156
August .....	490	305	185
September .....	434	269	165
October .....	416	265	151
November .....	396	241	155
December .....	391	211	180
1975			
January .....	382	220	162
February .....	365	220	145
March .....	379	183	196
April .....	449	186	263
May .....	520	172	348
June .....	544	170	374
July .....	527	159	368
August .....	491	162	329
September .....	514	172	342
October .....	503	190	313
November .....	475	213	262
December .....	473	221	252
1976			
January .....	432	208	224
February .....	407	206	201
March .....	379	226	153
April .....	453	229	224
May .....	427	230	197

<sup>1</sup> Current fed prices per steer compared with feeder cattle prices 6 months earlier. <sup>2</sup> Choice steers at Omaha, 1,050 lb. <sup>3</sup> Choice steers at Kansas City, 600 lb.

may total close to 25 million head, up 20 to 22 percent from 1975 but still 7 to 9 percent short of 1972's previous record.

### Cow Slaughter Declines

Higher feeder cattle prices, a smaller cow herd, and generally favorable spring grazing conditions are all helping to reduce cow slaughter this year from last fall's peaks. Estimated commercial cow slaughter reached a record 3.8 million head last October-December, dropped about a fourth to 2.8



million during January-March, and seasonally declined further into the spring months. April-June cow slaughter may total near year-earlier levels of about 2½ million head. Weekly cow slaughter rates from March through May have been running between 150,000 to 170,000 head per week to make up about 20 to 25 percent of total cattle slaughter, compared with 35 to 36 percent last fall.

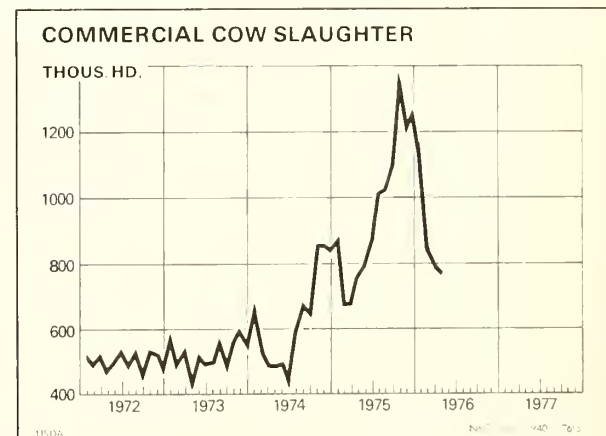


Table 2—Corn Belt Cattle Feeding

Selected expenses at current rates<sup>1</sup>

Purchased during Marketed during	Feb. Aug.	Mar. Sept.	Apr. Oct.	May Nov.	June Dec.	July Jan. 76	Aug. Feb.	Sept. Mar.	Oct. Apr.	Nov. May	Dec. June	Jan. 76 July	Feb. Aug.	Mar. Sept.	Apr. Oct.	May Nov.
	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head
<b>Expenses:</b>																
600 lb. feeder steer	161.76	172.50	190.14	213.00	220.86	208.20	206.04	225.54	228.54	229.56	226.98	224.76	242.52	238.14	267.72	265.26
Transportation to feedlot	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28
Corn (45 bu.)	128.70	121.05	120.60	119.70	120.60	122.40	133.20	124.20	115.20	104.40	105.30	108.90	111.60	112.50	110.70	118.80
Silage (1.7 tons)	38.05	37.11	37.23	36.70	35.68	35.12	37.93	36.86	35.36	33.46	34.20	35.02	35.87	35.77	34.80	36.40
Protein supplement	23.22	22.14	22.95	22.82	22.82	22.82	23.76	24.30	24.84	23.36	23.62	23.62	23.62	23.62	23.49	24.03
Hay (400 lb.)	9.80	10.16	10.30	10.05	9.20	8.70	9.10	9.55	9.70	9.80	10.20	10.30	10.55	10.35	9.90	9.95
Labor (4 hours)	9.52	8.40	8.40	8.40	8.40	8.76	8.76	8.76	8.80	9.80	9.80	9.80	10.24	10.24	10.24	10.32
Management <sup>3</sup>	4.76	4.76	4.20	4.20	4.20	2.99	4.38	4.38	4.90	4.90	4.90	4.90	5.12	5.12	5.12	5.16
Vet medicine <sup>4</sup>	2.88	2.88	2.92	2.95	2.97	2.99	3.00	3.03	3.03	3.03	3.04	3.10	3.11	3.12	3.13	3.08
Interest on purchase																
(6 mo.)	8.49	9.06	9.51	10.65	11.04	10.41	9.79	10.71	10.86	10.33	10.21	10.11	10.91	10.72	12.05	11.94
Power, equip., fuel, shelter, depreciation	13.48	13.42	13.61	13.74	13.85	13.94	14.01	14.14	14.12	14.12	14.18	14.45	14.49	14.55	14.58	14.38
Death loss (1% of purchase)	1.62	1.72	1.90	2.13	2.21	2.08	2.06	2.26	2.29	2.30	2.27	2.25	2.45	2.38	2.68	2.65
Transportation (100 miles)	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31	2.31
Marketing expenses	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35
Miscellaneous & indirect costs	5.83	5.80	5.89	5.94	6.00	6.03	6.06	6.11	6.11	6.11	6.13	6.25	6.27	6.29	6.30	6.22
<b>Total</b>	<b>419.06</b>	<b>421.06</b>	<b>438.59</b>	<b>461.22</b>	<b>468.77</b>	<b>456.77</b>	<b>469.03</b>	<b>480.78</b>	<b>475.69</b>	<b>462.11</b>	<b>461.77</b>	<b>464.40</b>	<b>487.67</b>	<b>483.74</b>	<b>511.65</b>	<b>519.13</b>
	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.
<b>Selling price/cwt. required to cover feed and feeder costs (1050 lb. steer)</b>	<b>34.43</b>	<b>34.57</b>	<b>36.31</b>	<b>38.31</b>	<b>38.97</b>	<b>37.83</b>	<b>39.05</b>	<b>40.04</b>	<b>39.39</b>	<b>38.15</b>	<b>38.12</b>	<b>38.34</b>	<b>40.40</b>	<b>40.04</b>	<b>42.53</b>	<b>43.28</b>
Selling price/cwt. required to cover all costs (1050 lb.)	39.91	40.10	41.77	43.93	44.64	43.50	44.67	45.79	45.30	44.01	43.98	44.12	46.44	46.07	48.73	49.44
Feed cost per 100 lb. gain	44.39	42.32	42.46	42.06	41.84	42.01	45.33	43.31	41.13	38.00	38.52	39.52	40.36	40.50	39.75	42.04
Choice steers, Omaha	46.80	48.91	47.90	45.23	45.01	41.18	38.80	36.14	43.12	40.62						
Net margin/cwt.	+6.89	+8.81	+6.13	+1.30	+3.7	-2.32	-5.87	-9.65	-2.18	-3.39						
<b>Prices</b>																
Feeder steer choice (600-700 lb., Kansas City/cwt.)	26.96	28.75	31.69	35.50	36.81	34.70	34.34	37.59	38.09	38.26	37.83	37.46	40.42	39.69	44.62	44.21
Corn/bu.	2.86	2.69	2.68	2.66	2.68	2.72	2.96	2.76	2.56	2.32	2.34	2.42	2.48	2.50	2.46	2.64
Hay/ton	49.00	50.75	51.50	50.25	46.00	42.75	45.50	47.75	48.50	49.00	51.00	51.50	52.75	51.75	49.50	49.75
Corn silage /ton	22.38	21.83	21.90	21.59	20.99	20.66	22.31	21.68	20.80	19.68	20.12	20.60	21.10	21.04	20.47	21.41
32-36% Protein supp./cwt.	8.60	8.20	8.50	8.45	8.45	8.45	8.80	8.90	9.20	8.65	8.75	8.75	8.75	8.75	8.76	8.90
Farm labor/hour	2.38	2.38	2.10	2.10	2.10	2.19	2.19	2.19	2.45	2.45	2.45	2.45	2.56	2.56	2.56	2.58
Interest annual rate	10.50	10.50	10.00	10.00	10.00	10.00	9.50	9.50	9.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Transportation rate/cwt.																
100 mile	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22
Marketing expenses <sup>5</sup>	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35
Index of prices paid by farmers (1910-14=100)	615	612	621	627	632	636	639	645	644	644	647	659	661	664	665	656

<sup>1</sup> Represents only what expenses would be if all selected items were paid for during the period indicated. The feed ration and expense items do not necessarily coincide with experience of individual feeders. For individual use, adjust expenses and prices for management, production level and locality or operation. <sup>2</sup> Assumes one hour at twice the labor rate. <sup>3</sup> Adjusted monthly by the index of prices paid by farmers for commodities, services, interest, taxes and wage rates. <sup>4</sup> Average price received by farmers in Iowa and Illinois. <sup>5</sup> Corn silage price derived from an equivalent price of 5 bushels corn and 330 lb. hay.

<sup>6</sup> Average price paid by farmers in Iowa and Illinois. <sup>7</sup> Converted from cents/mile for a 44,000 pound haul. <sup>8</sup> Yardage plus commission fees at a midwest terminal market.

Table 3—Great Plains Custom cattle feeding<sup>1</sup>

Purchased during	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. 76	Feb.	Mar.	Apr.	May
Marketed during	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. 76	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
	per	per	per	per	per	per	per	per	per	per	per	per	per	per	per	per
	head	head	head	head	head	head	head	head	head	head	head	head	head	head	head	head
<b>Expenses:</b>																
600 lb. feeder steer .....	157.86	170.28	191.22	204.18	221.46	206.40	205.08	222.66	216.90	226.50	236.40	226.02	242.40	235.44	265.74	253.50
Transportation to feedlot (300 mi.) ..	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96	3.96
Commission .....	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
<b>Feed:</b>																
milo (1,500 lb.) .....	65.10	67.95	69.15	70.95	69.75	74.10	79.50	75.60	69.60	66.75	68.85	65.85	67.35	69.00	68.25	69.75
corn (1,500 lb.) .....	71.85	73.20	76.35	75.45	77.10	82.65	89.55	79.50	75.00	72.75	74.40	71.10	71.85	72.60	73.50	78.00
cottonseed meal (400 lb.) .....	34.40	32.40	31.60	32.00	32.00	32.40	33.60	34.80	36.00	36.00	36.80	37.20	36.80	36.80	36.40	38.40
alfalfa hay (800 lb.) .....	34.60	33.60	34.40	34.40	33.60	36.40	34.00	33.80	34.20	38.00	36.60	37.00	38.80	37.20	37.80	38.40
Total feed cost .....	205.95	207.15	211.50	212.40	212.45	225.55	236.65	223.70	214.80	213.50	216.65	211.15	214.80	215.60	215.95	222.55
Feed handling & management																
Charge .....	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00
Vet medicine .....	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Interest on feeder & 1/2 feed .....	13.04	13.69	14.85	15.52	16.38	15.96	16.17	16.73	15.40	15.83	16.37	15.75	16.62	16.30	17.75	17.33
Death loss (1.5% of purchase) .....	2.37	2.55	2.87	3.06	3.32	3.10	3.08	3.34	3.25	3.40	3.55	3.39	3.64	3.53	3.99	3.80
Marketing <sup>2</sup> .....	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.	F.O.B.
Total .....	410.18	424.63	451.40	466.12	484.57	481.97	491.94	497.39	481.31	490.19	503.93	487.27	508.42	501.83	534.39	528.14
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
	per	per	per	per	per	per	per	per	per	per	per	per	per	per	per	per
	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.
<b>Selling price required to cover<sup>3</sup>:</b>																
feed and feeder cost (1,056 lb.) ..	34.45	35.74	38.14	39.45	41.09	40.90	41.83	42.27	40.88	41.67	42.90	41.40	43.30	42.71	45.61	45.08
all costs .....	38.84	40.21	42.75	44.14	45.89	45.64	46.59	47.10	45.58	46.42	47.72	46.14	48.15	47.52	50.61	50.01
Selling price .....	47.05	49.32	47.94	46.16	47.50	41.38	38.96	35.88	45.10	41.49						
Net margin/cwt. ....	+8.21	+9.11	+5.19	+2.02	+1.61	-4.26	-7.63	-11.22	-4.8	-4.93						
Costs per 100 lb. gain:																
Variable costs less interest .....	46.46	46.74	47.67	47.89	47.95	50.53	52.75	50.21	48.41	48.18	48.84	47.71	48.49	48.63	48.79	50.07
Feed costs .....	41.19	41.43	42.30	42.48	42.49	45.11	47.33	44.74	42.96	42.70	43.33	42.23	42.96	43.12	43.19	44.51
<b>Unit Prices:</b>																
Choice feeder steer 600-700 lb.																
Amarillo \$/cwt. ....	26.31	28.33	31.87	34.03	36.91	34.40	34.18	37.11	36.15	37.75	39.40	37.67	40.40	39.24	44.29	42.25
Transportation rate \$/cwt/100																
miles <sup>5</sup> .....	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22
Commission fee \$/cwt. ....	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50
Milo \$/cwt. <sup>6</sup> .....	4.34	4.53	4.61	4.73	4.65	4.94	5.30	5.04	4.64	4.45	4.59	4.39	4.49	4.60	4.55	4.65
Corn \$/cwt. <sup>6</sup> .....	4.79	4.88	5.09	5.03	5.14	5.51	5.97	5.30	5.00	4.85	4.96	4.74	4.79	4.84	4.90	5.20
Cottonseed meal \$/cwt. <sup>7</sup> .....	8.60	8.10	7.90	7.90	8.00	8.10	8.40	8.70	9.00	9.00	9.20	9.30	9.20	9.20	9.10	9.10
Alfalfa hay \$/ton .....	86.50	84.00	86.00	86.00	84.00	91.00	85.00	84.50	85.50	95.00	91.50	92.50	97.00	93.00	94.50	96.00
Feed handling & management																
Charge \$/ton .....	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Interest, annual rate .....	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00

<sup>1</sup> Represents only what expenses would be if all selected items were paid for during the period indicated. The feed ration and expense items do not necessarily coincide with experience of individual feedlots. For individual use, adjust expenses and prices for management, production level, and locality of operation. Steers are assumed to gain

500 lb. in 180 days at 2.8 lb. per day with a feed conversion of 8.4 lb. per pound gain. <sup>2</sup> Most cattle sold F.O.B. the feedlot with 4 percent shrink. <sup>3</sup> Sale weight 1,056 pounds (1,100 pounds less 4 percent shrink) <sup>4</sup> Choice slaughter steers, 900-1,100 lb.) Texas-New Mexico direct.

<sup>5</sup> Converted from cents per mile for a 44,000 pound haul. <sup>6</sup> Texas Panhandle elevator price plus \$.15/cwt. hauling and transportation to feed lots. <sup>7</sup> Average prices paid by farmers in Texas. <sup>8</sup> Average prices received by farmers in Texas plus \$.30/ton hauling and transportation to feed lots.

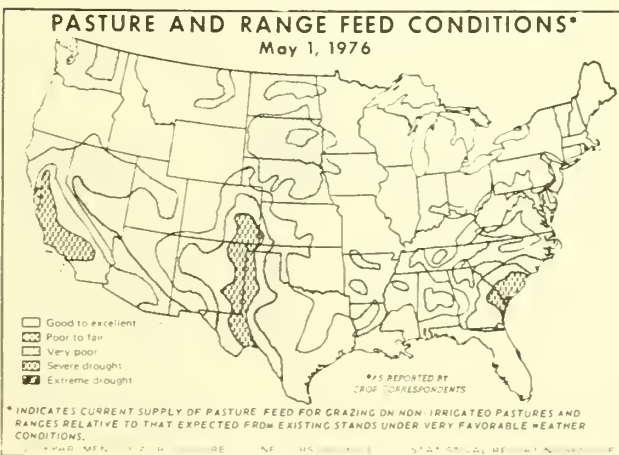


Utility cow prices per 100 pounds, Omaha

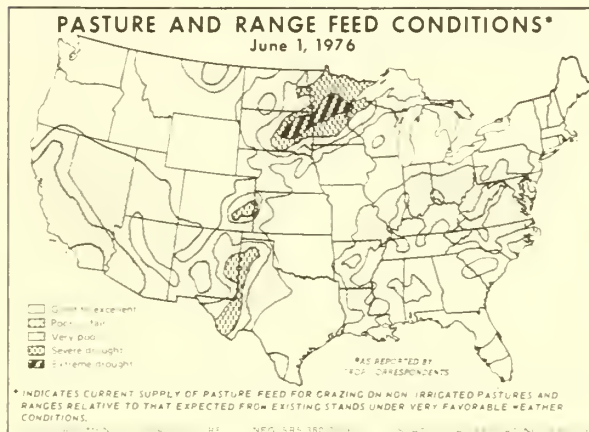
Month	1971	1972	1973	1974	1975	1976
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
January . . . .	19.98	22.61	26.67	31.45	16.82	23.26
February . . .	20.98	23.80	31.43	32.65	18.18	25.90
March . . . . .	22.03	24.73	33.90	31.76	19.45	27.45
April . . . . .	21.48	24.70	33.59	30.49	21.67	30.72
May . . . . .	22.30	25.51	34.26	27.67	23.55	30.24
June . . . . .	22.03	26.00	33.09	26.39	23.32	
July . . . . .	21.68	26.22	34.21	24.22	22.00	
August . . . . .	21.72	26.18	37.56	24.54	21.29	
September . .	21.84	26.57	34.58	22.56	22.45	
October . . . .	22.30	26.19	33.68	19.68	22.01	
November . . .	21.45	24.98	30.71	17.62	20.73	
December . . .	21.64	25.02	30.10	17.67	21.64	
Average . . .	21.62	25.21	32.82	25.56	21.09	

Cow slaughter usually drops to its yearly low point as pastures green up in the spring and then rises through the summer and fall as cows are culled from the herd following calf weaning and before supplemental winter feeding is required. While normal seasonal patterns are likely this year, the seasonal upturn in cow slaughter during October-December may be less than usual if feed and forage supplies remain adequate.

Range and pasture conditions will be important in the summer culling rate. But many cow-calf operators may be waiting for further developments in the feeder cattle market before making major decisions to cull or withhold breeding stock this fall. Large feed grain crops and lower feed grain prices, which prompt seasonally large October-December placements of cattle on feed, would likely boost feeder cattle prices and discourage heavy culling of cow herds. Under these conditions, October-December cow slaughter may rise little from the summer. Alternatively, a poor grain crop, dry pastures, and poor demand for feeder cattle could convince producers that cow herds are still too large and cow slaughter could again sharply increase



from spring to fall. However, considering the smaller cow herd, it seems unlikely that cow slaughter will approach last fall's level, barring widespread drought.



Assuming adequate range and pasture conditions this summer and a large grain crop which would boost feeder cattle demand this fall, cow slaughter may total around 2½ million head during July-September, with a small seasonal increase during October-December. If so, cow slaughter this year would total about 10 million head, down 14 percent from the 1975 record but still well above previous years. Considering the 19-percent reduction in the number of beef heifers intended for replacement at the beginning of the year, a cow slaughter of around 10 million head could be enough to reduce the January 1, 1977, cow inventory by another 1 to 3 million head from 1976's reduced level.

### Second Half Cattle Slaughter To Decline

If fed cattle marketings and cow slaughter meet expectations during the third and fourth quarters this year, cattle slaughter may total just under 10 million head during July-September, followed by a small seasonal gain in the fall. Weather and crop developments during July and August will be important. Unusually favorable conditions would tend to lower the slaughter level and produce the smallest seasonal summer-fall increase, while poor crop growing conditions would have the opposite effect.

A 5 to 7-percent reduction in cattle slaughter during the second half of 1976 would just about offset increases in the first half of the year, leaving commercial slaughter largely unchanged from 1975 at about 41 million head.

Fed cattle will be making up a larger proportion of slaughter, and increased average slaughter

Table 1—Beef supplies and prices

	Commercial cattle slaughter <sup>1</sup>						Average dressed weight	Com-mercial produc-tion	Per capita con-sump-tion <sup>2</sup>	Prices			
	Steers and heifers			Cows	Bulls and stags	Total				Retail	Choice Feeders 600-700 lb. Kan-sas City	Choice Steers Omaha 900-1100 lb.	Farm
	Fed	Non-fed	Total										
	1,000 head	1,000 head	1,000 head	1,000 head	1,000 head	1,000 head	Lb.	Mil. lb.	Lb.	Cent/ lb.	\$/cwt.	\$/cwt.	\$/cwt.
1971: I ....	6,380	572	6,952	1,500	135	8,587	619	5,300	27.7	100.2	33.57	31.06	27.93
II ....	6,480	687	7,167	1,586	164	8,917	612	5,445	28.1	104.8	34.50	32.54	29.17
III ....	6,820	666	7,486	1,614	179	9,279	602	5,574	29.3	105.4	34.84	32.71	29.00
IV ....	6,380	592	6,972	1,675	155	8,802	613	5,378	27.9	106.6	36.57	33.27	29.83
Year .....	26,060	2,517	28,577	6,375	633	35,585	611	21,697	113.0	104.2	34.87	32.39	29.00
1972: I ....	6,630	402	7,032	1,518	148	8,698	619	5,370	28.2	114.4	38.47	35.71	32.40
II ....	6,930	452	7,382	1,474	166	9,022	619	5,566	28.9	112.3	40.30	36.04	33.33
III ....	7,140	223	7,363	1,472	180	9,015	618	5,559	29.4	115.3	42.46	36.26	34.07
IV ....	6,970	395	7,365	1,528	151	9,044	635	5,723	29.6	113.2	44.36	35.12	34.07
Year .....	27,670	1,472	29,142	5,992	645	35,779	623	22,218	116.1	113.8	41.40	35.78	33.50
1973: I ....	6,770	146	6,916	1,590	156	8,662	624	5,393	28.0	129.2	50.77	43.28	40.80
II ....	6,470	86	6,556	1,434	165	8,155	621	5,049	26.2	135.8	53.74	45.84	43.43
III ....	6,080	204	6,284	1,533	180	7,997	625	4,998	26.8	141.8	57.98	48.57	47.67
IV ....	6,570	437	7,007	1,691	175	8,873	638	5,648	28.6	135.1	50.20	40.47	40.00
Year .....	25,890	873	26,763	6,248	676	33,687	626	21,088	109.6	135.5	53.17	44.54	42.80
1974: I ....	6,100	560	6,660	1,689	165	8,514	638	5,434	28.3	145.1	47.78	45.46	42.83
II ....	6,430	817	7,247	1,391	179	8,817	639	5,638	28.8	134.5	39.80	40.01	36.37
III ....	5,680	1,526	7,206	1,913	244	9,363	614	5,751	29.4	141.0	34.64	43.91	34.97
IV ....	5,670	1,695	7,365	2,521	232	10,118	595	6,021	30.3	134.5	29.31	38.19	28.83
Year .....	23,880	4,598	28,478	7,514	820	36,812	621	22,844	116.8	138.8	37.88	41.89	35.60
1975: I ....	5,690	1,611	7,301	2,224	208	9,733	600	5,842	30.3	129.6	27.39	35.72	27.33
II ....	5,200	1,658	6,858	2,419	273	9,550	586	5,593	28.4	146.5	34.67	48.03	34.57
III ....	5,190	1,913	7,103	3,124	312	10,539	564	5,942	30.2	156.4	35.54	48.64	33.83
IV ....	5,120	1,875	6,995	3,790	304	11,089	568	6,296	31.2	151.4	38.06	46.05	33.07
Year .....	21,200	7,057	28,257	11,557	1,097	40,911	579	23,673	120.1	146.0	33.91	44.61	32.20
1976: I ....	6,560	1,367	7,927	2,749	236	10,912	595	6,491	32.7	142.6	39.19	38.71	33.77
II ....	6,300	1,200	7,500	2,350	250	10,100	604	6,100	31.4	143.0	44.50	42.50	37.50
III ....													
IV ....													
Year .....													

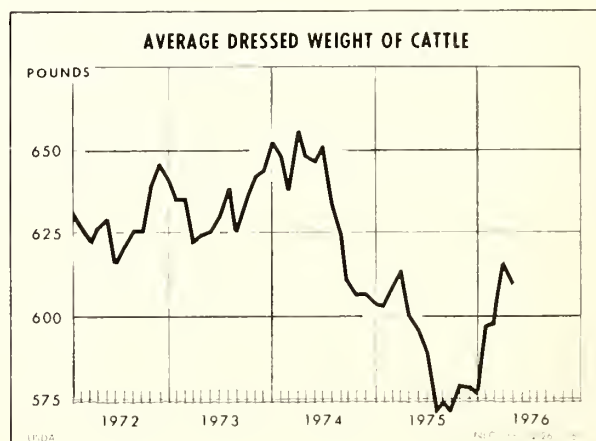
<sup>1</sup> Classes estimated. <sup>2</sup> Total including Farm Production, farm production estimated for 1976. <sup>3</sup> Forecast.

weights will limit declines in beef production in the second half. Fed cattle slaughter as a proportion of total cattle slaughter fell to less than half of slaughter in the latter part of 1975. The proportion increased to nearly 60 percent in the first quarter this year and may reach 62 percent in the second quarter. In addition to the declining proportion of cows in the slaughter mix, fewer nonfed steers and heifers are being slaughtered this year. Last year about 25 percent of the steers and heifers slaughtered had little or no grain feeding. That proportion may fall below 15 percent this year but is continuing well above levels of the early 1970's, when feedlots were taking an increasing share of the feeder cattle supply.

#### Fed Cattle Prices To Rise

Given current beef supply prospects for the balance of this year, price strength in the fed cattle

market still appears likely. Pork and broiler output will be larger than a year ago during the last half of 1976, but reduced supplies of nonfed beef should





Choice steer prices per 100 pounds, Omaha<sup>1</sup>

Month	1971	1972	1973	1974	1975	1976
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
January ....	29.10	35.63	40.65	47.14	36.34	41.18
February ...	32.18	36.32	43.54	46.38	34.74	38.80
March .....	31.89	35.17	45.65	42.85	36.08	36.14
April .....	32.41	34.52	45.03	41.53	42.80	43.12
May .....	32.86	35.70	45.74	40.52	49.48	40.62
June .....	32.35	37.91	46.76	37.98	51.82	
July .....	32.44	38.38	47.66	43.72	50.21	
August .....	33.10	35.70	52.94	46.62	46.80	
September ..	32.58	34.69	45.12	41.38	48.91	
October ....	32.22	34.92	41.92	39.64	47.90	
November ...	33.30	33.59	40.14	37.72	45.23	
December ...	34.28	36.85	39.36	37.20	45.01	
Average ....	32.39	35.78	44.54	41.89	44.61	

<sup>1</sup> 900-1,100 lb.

have a greater impact on the fed cattle market. Retail beef prices began to trend higher in April but are still below 1975 peaks and relatively low in comparison with pork. Also, demand for fed beef usually picks up in the summer months. If the fed beef supply remains fairly constant over the next several months, Choice steer prices could move into the upper-\$40 range by midsummer and seasonally slip to the mid-\$40's during the fall quarter.

#### Feeder Cattle Market Slips

Mounting losses to cattle feeders and an upturn in feed grain prices in May stalled earlier price advances in the feeder cattle market. Choice 600 to 700-pound feeder steers at Kansas City topped \$45 per 100 pounds in April before slipping \$1 to \$2 in May, as reduced feedlot demand overshadowed the smaller feeder cattle supply. Prices for heavier feeder cattle appeared to be under more downward pressure than lightweight cattle, perhaps reflecting

Feeder cattle prices per 100 pounds, Kansas City

Month	Choice feeder steers 600-700 lbs.			Choice feeder steer calves <sup>1</sup>		
	1974	1975	1976	1974	1975	1976
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Jan. ....	50.58	26.45	37.46	54.66	25.09	37.47
Feb. ....	47.95	26.96	40.42	54.45	26.29	41.40
Mar. ....	44.81	28.75	39.69	54.02	29.14	44.01
Apr. ....	44.15	31.69	44.62	50.30	31.45	47.01
May .....	40.14	35.50	44.21	45.48	34.66	47.58
June .....	35.10	36.81		39.96	35.82	
July .....	36.72	34.70		37.72	32.58	
Aug. ....	36.70	34.34		36.84	31.70	
Sept. ....	30.49	37.59		32.40	35.15	
Oct. ....	30.94	38.09		30.47	36.04	
Nov. ....	28.71	38.26		27.31	36.26	
Dec. ....	28.27	37.83		26.54	35.94	
Av. ....	37.88	33.91		40.84	32.55	

<sup>1</sup> 400-500 lbs.

near-term pessimism by feeders. Prices of Choice 700 to 800-pound feeders on most markets in late May were \$5 or \$6 per 100 pounds below 300 to 400-pound steers. Significant price increases from current levels are unlikely until there are further developments in this year's grain crops. While cow-calf operators are in a stronger bargaining position than they have been for the last 2 years, feeder cattle supplies are still relatively large, and buyers will resist further price increases. Cattle feeders cannot afford to pay significantly higher prices for replacement cattle until the fed cattle market rises or feeding costs are reduced.

Commercial Cattle Slaughter by Class

Year and quarter	Steers & heifers		Cows	Bulls and Stags
	Fed	Nonfed		
	Percent of Total			
1973				
I .....	78.2	1.7	18.3	1.8
II .....	79.3	1.1	17.6	2.0
III .....	76.0	2.5	19.2	2.3
IV .....	74.1	4.9	19.0	2.0
Year .....	76.9	2.6	18.5	2.0
1974				
I .....	71.7	6.6	19.8	1.9
II .....	72.9	9.3	15.8	2.0
III .....	60.7	16.3	20.4	2.6
IV .....	56.1	16.7	24.9	2.3
Year .....	64.9	12.5	20.4	2.2
1975				
I .....	58.5	16.5	22.9	2.1
II .....	54.4	17.4	25.3	2.9
III .....	49.2	18.1	29.6	3.0
IV .....	46.2	16.9	34.2	2.7
Year .....	51.8	17.2	28.2	2.7
1976				
I .....	60.1	12.5	25.2	2.2
II .....	62.4	11.9	23.2	2.5
III .....				
IV .....				
Year .....				

<sup>1</sup> Forrecast.

If this year's grain crops are large, demand for feeder cattle late this year and in 1977 could be strong, boosting placements to record levels. Considering the smaller total feeder cattle supply currently available, relative to the record supplies of a year ago, and prospects for a decline in this year's calf crop—followed perhaps by another decline next year, some strength in feeder cattle prices is likely over the next year or two.

Feeder supplies, however, will still be sufficiently large to supply moderate increases in placements in 1977. Another 1 to 3-million-head decline in the beef cow herd at the beginning of 1977 would still leave the cow herd 7 to 10 percent larger than in 1972. In addition, a sizable number

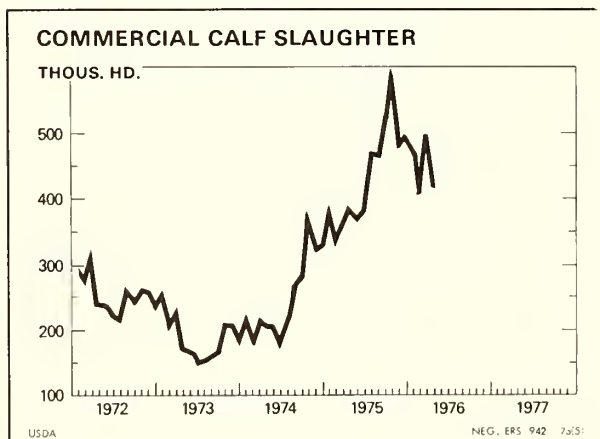
of nonfed steers, heifers, and calves currently being slaughtered could be diverted to feeding.

In 1975, for example, nonfed steer and heifer slaughter was 5 to 6 million head more than in 1972-73, and calf slaughter was 2 to 3 million larger. Slaughter of nonfed steers, heifers, and calves in 1976 will be considerably smaller than in 1975 but still well over 1972-73 levels, indicating a continued burdensome supply of feeder cattle. However, if the beef cow herd declines again during 1977 and feed grain supplies are sufficient to further increase cattle feeding by the end of next year, feeder cattle supplies could become tight in 1978.

### Calf Slaughter Smaller

Calf slaughter in 1975 totaled 5.4 million head, up 70 percent from 1974 and 125 percent over 1973's record low. The sharp increase dramatically illustrates the reduced demand for replacement cattle for feeding last year, especially for lightweight calves which require extended feeding periods.

That trend is being reversed so far this year, and further declines are likely unless feed grain prices turn higher again. Commercial calf slaughter during January-March totaled 1.4 million head, still 28 percent above a year earlier but down 12 percent from last October-December. Federally inspected weekly slaughter rates during May were about 70,000 to 75,000 head per week, compared



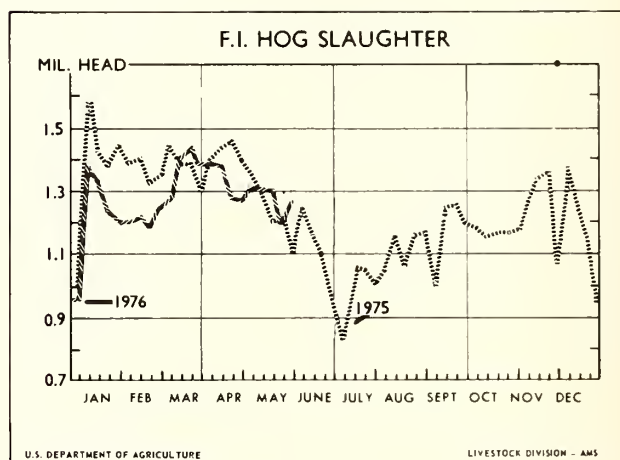
with about 90,000 in February and March and nearly 100,000 per week in the fall of 1975. April-June commercial calf slaughter may total near year-earlier levels of 1.1 million head. Average slaughter weights are also declining, suggesting a smaller percentage of beef calves in the slaughter mix.

Prices for 100 to 250-pound Choice grade vealer calves at South St. Paul have fluctuated mostly between \$48 and \$50 per 100 pounds so far this

year and were generally at the highest level since the spring of 1974. Calf slaughter rates are expected to decline as the year progresses, but prices likely will be closely tied to lightweight feeder cattle price trends. If so, vealer prices may weaken some through early summer before increasing again by fall. Prices will continue to average higher than 1975 levels, but will not likely reach 1973 fall peaks of over \$60.

### HOGS

Hog slaughter under Federal inspection during the first 8 weeks of the spring quarter averaged about 1.3 million head per week, largely unchanged from the winter quarter average. Commercial hog slaughter during April-June could total near the first quarter level of 17.4 million head and fall short of a year ago by only 2 to 4 percent. Commercial kill through midyear will likely total just under 35 million head and trail the 1975 level by 4 to 5 percent. Average slaughter weights may continue above those of a year ago, with commercial pork production perhaps reduced only 3 to 4 percent.



Hog slaughter during the first 3 months of the year was larger than expected, trailing the 1975 level by only 7 percent. The 14-State June-August pig crop, which supplies most of the slaughter stock processed during this period, was reduced 12 percent. However, there were 3 additional slaughter days this winter quarter than in 1975. Also, milder weather, along with lower prices and increased utilization of high protein feeds, reduced the length of the feeding period. With 2 additional kill days during March, commercial slaughter was 8 percent above the previous year. Although hog slaughter through the first half of 1976 will be somewhat higher than previous estimates, slaughter rates do not appear to be out of line with past relationships between the fall pig crop and January-June com-

mercial hog slaughter. The following table shows January-June slaughter as a percentage of the fall pig crop for the past several years.

**Federally Inspected Hog Slaughter**

Week ended 1976 <sup>1</sup>	1973	1974	1975	1976
	<i>Thou.</i>	<i>Thou.</i>	<i>Thou.</i>	<i>Thou.</i>
Jan. 10 ..	1,559	1,566	1,588	1,409
17 .....	1,527	1,577	1,432	1,326
24 .....	1,555	1,598	1,385	1,227
31 .....	1,342	1,328	1,450	1,203
Feb. 7 ...	1,488	1,185	1,424	1,208
14 .....	1,471	1,541	1,419	1,234
21 .....	1,372	1,403	1,340	1,168
28 .....	1,525	1,564	1,352	1,255
Mar. 6 ...	1,542	1,554	1,453	1,273
13 .....	1,522	1,555	1,395	1,422
20 .....	1,596	1,493	1,393	1,403
27 .....	1,354	1,637	1,315	1,383
Apr. 3 ...	1,430	1,589	1,404	1,388
Apr. 10 ..	1,352	1,519	1,439	1,387
17 .....	1,441	1,602	1,478	1,290
24 .....	1,454	1,515	1,401	1,270
May 1 ...	1,612	1,547	1,368	1,321
May 8 ...	1,561	1,678	1,301	1,309
15 .....	1,412	1,534	1,221	1,316
22 .....	1,433	1,626	1,221	1,196
29 .....	1,263	1,392	1,101	1,271
June 5 ..	1,397	1,621	1,294	
12 .....	1,378	1,596	1,254	
19 .....	1,282	1,343	1,163	
26 .....	1,319	1,285	1,132	
July 3 ...	1,016	984	853	
July 10 ..	1,155	1,313	1,061	
17 .....	1,037	1,242	1,100	
24 .....	1,306	1,326	1,055	
31 .....	1,267	1,476	1,027	
Aug. 7 ..	1,343	1,443	1,051	
14 .....	1,214	1,454	1,157	
21 .....	1,127	1,377	1,057	
28 .....	1,116	1,482	1,169	
Sept. 4 ..	1,107	1,347	996	
11 .....	1,303	1,628	1,267	
18 .....	1,467	1,622	1,258	
25 .....	1,469	1,600	1,198	
Oct. 2 ...	1,451	1,585	1,188	
Oct. 9 ...	1,529	1,602	1,159	
16 .....	1,439	1,541	1,193	
23 .....	1,309	1,491	1,163	
30 .....	1,518	1,475	1,194	
Nov. 6 ..	1,519	1,583	1,275	
13 .....	1,561	1,574	1,336	
20 .....	1,243	1,594	1,376	
27 .....	1,584	1,305	1,069	
Dec. 4 ...	1,576	1,654	1,372	
11 .....	1,426	1,574	1,237	
18 .....	1,509	1,492	1,219	
25 .....	1,088	1,015	949	
Jan. 1 ...	1,203	1,014	970	

<sup>1</sup> Corresponding dates: 1973, January 13; 1974, January 12; 1975, January 11.

**Fall pig crop and hog slaughter**

	June-Nov. pig crop	Jan.-June Commercial slaughter	Percent of pig crop slaughtered
	<i>Thous. head</i>	<i>Thous. head</i>	<i>Percent</i>
1963/64 ..	43,307	41,975	96.9
1964/65 ..	39,862	38,368	96.3
1965/66 ..	36,415	34,998	96.1
1966/67 ..	42,132	40,558	96.3
1967/68 ..	43,551	41,833	96.1
1968/69 ..	45,078	42,653	94.6
1969/70 ..	42,155	39,927	94.7
1970/71 ..	49,629	47,865	96.4
1971/72 ..	45,923	43,650	95.1
1972/73 ..	43,174	39,703	92.0
1973/74 ..	42,004	41,164	98.0
1974/75 ..	38,879	36,568	94.1
1975/76 ..	35,772	34,632 <sup>1</sup>	96.8

<sup>1</sup> Estimated.

### Summer Slaughter Up, Prices May Slip

Slaughter rate normally reach a seasonal low during the summer, but seasonal declines may be less pronounced this year. While slaughter rates likely will be reduced seasonally through the early summer, increases late in the summer could hold third quarter slaughter above the second quarter level. Slaughter hogs marketed during July-September will come largely from the December-February pig crop which was reported to be 16 percent larger than a year ago in 14 States. With a similar increase in the pig crop in other States, hog slaughter could be up around 15 percent from the summer of 1975 and total about 17½ million head.

Developments in the feed grain market this summer will have a bearing on hog slaughter and prices. The prospects for another record corn crop could push feed prices lower and encourage producers to withhold sows and gilts for breeding. Withholding would limit the increase in slaughter

**Spring pig crop and hog slaughter**

	Dec.-May <sup>1</sup> pig crop	July-Dec. Commercial slaughter	Percent of pig crop slaughtered
	<i>Thou. head</i>	<i>Thou. head</i>	<i>Percent</i>
1964 .....	47,682	41,043	86.1
1965 .....	42,526	35,416	83.3
1966 .....	45,471	39,013	85.8
1967 .....	48,117	41,566	86.4
1968 .....	49,077	43,327	88.3
1969 .....	46,521	41,186	88.5
1970 .....	52,292	45,890	87.8
1971 .....	52,589	46,573	88.6
1972 .....	47,654	41,057	86.2
1973 .....	46,195	37,092	80.3
1974 .....	45,075	40,598	90.1
1975 .....	35,534	32,119	90.4
1976 <sup>2</sup> .....	40,500	36,500	90.1

<sup>1</sup> December, previous year. <sup>2</sup> Forecast.



and support prices somewhat. Any major buildup in breeding herds, however, likely will be delayed until fall when the grain crop is assured and feed grain supplies are known.

Average hog slaughter weights usually decline from spring to summer, but if grain prices soften by summer, producers may feed to heavier weights than usual. Also, with the largest gains in

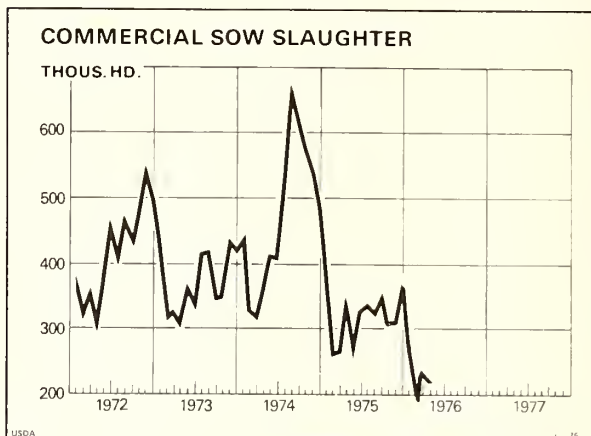
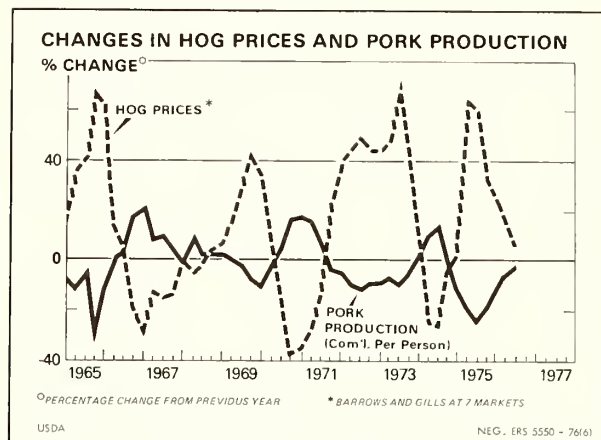


Table 4—Pork supplies and prices

Year	Estimated commercial slaughter <sup>1</sup>				Average dressed weight	Commercial production	Per capita consumption <sup>2</sup>	Prices		
	Barrows and gilts	Sows	Boars	Total				Retail	Barrows and gilts 7 markets	Farm
	1,000 head				Lb.	Mil lb.	Lb.	Cents per lb.	\$/cwt	\$/cwt
1971: I ...	22,812	1,270	174	24,256	151	3,671	18.3	69.2	17.60	17.10
II ...	21,938	1,452	220	23,610	156	3,678	17.8	68.8	17.33	16.80
III ...	20,524	1,570	214	22,308	154	3,441	18.0	71.3	19.27	18.47
IV ...	22,499	1,563	202	24,264	157	3,816	18.9	71.9	20.06	19.33
Year .....	87,773	5,855	810	94,438	155	14,606	73.0	70.3	18.45	17.92
1972: I ...	21,029	1,053	178	22,260	157	3,503	17.7	79.0	24.67	23.90
II ...	20,055	1,135	199	21,389	158	3,386	16.6	79.9	25.00	24.33
III ...	17,943	1,305	193	19,441	158	3,064	15.8	86.1	28.85	27.87
IV ...	19,944	1,495	178	21,617	162	3,507	17.3	87.7	28.89	27.93
Year .....	78,971	4,988	748	84,707	159	13,460	67.4	83.2	26.67	26.00
1973: I ...	18,949	1,080	195	20,224	161	3,262	16.0	98.1	35.63	34.50
II ...	18,274	998	206	19,478	163	3,178	15.4	103.1	36.82	35.90
III ...	15,482	1,190	203	16,875	165	2,791	14.0	121.8	49.04	47.13
IV ...	18,842	1,195	181	20,218	166	3,347	16.2	116.1	40.96	39.87
Year .....	71,547	4,463	785	76,795	164	12,578	61.6	109.8	40.27	39.35
1974: I ...	18,887	1,075	187	20,149	168	3,378	16.7	115.2	38.40	38.13
II ...	19,659	1,174	181	21,014	168	3,531	17.2	99.3	28.00	27.03
III ...	17,699	1,802	204	19,705	165	3,243	16.1	107.4	36.59	34.63
IV ...	19,124	1,588	182	20,894	164	3,431	16.6	111.0	39.06	37.40
Year .....	75,369	5,639	754	81,762	166	13,583	66.6	108.2	35.12	34.30
1975: I ...	17,711	886	162	18,759	162	3,044	15.0	114.4	39.35	38.43
II ...	16,704	939	165	17,808	164	2,923	14.1	123.1	46.11	43.93
III ...	14,151	1,003	153	15,307	164	2,512	12.3	149.2	58.83	56.20
IV ...	15,659	982	172	16,813	169	2,836	13.4	153.4	52.20	51.63
Year .....	64,225	3,810	652	68,687	165	11,314	54.8	135.0	48.32	47.55
1976: I ...	16,605	694	133	17,432	166	2,895	14.0	141.5	48.00	46.97
II <sup>3</sup> ...	16,300	750	150	17,200	166	2,850	13.8	138.0	49.00	47.50
III ...										
IV ...										
Year .....										

<sup>1</sup> Classes estimated. <sup>2</sup> Total including farm production. <sup>3</sup> Forecast.

slaughter likely during late summer, lower trending hog prices could result in delayed marketings and a further increase in slaughter weights. This could boost third quarter commercial pork production more than 15 percent above the limited 1975 supply level.

Little price variation was observed in the hog market during the first half of the year. However, a less stable market appears likely for the balance of 1976. Some seasonal decline in slaughter around midyear should prompt aggressive bidding by packers and boost prices into the low \$50's. But with an increasing volume of slaughter late in the third quarter, lower prices seem likely. Prices may range from near \$50 to the mid-\$40's during July-September.

Hog prices per 100 pounds, 7 markets<sup>1</sup>

Month	Barrows and gilts			Sows		
	1974	1975	1976	1974	1975	1976
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Jan. ....	40.59	38.93	48.40	33.93	35.01	40.48
Feb. ....	39.73	39.61	48.85	34.21	36.52	44.03
Mar. ....	34.88	39.52	46.71	31.42	36.58	42.24
Apr. ....	30.52	40.69	47.89	26.60	37.00	42.88
May ....	26.09	46.44	48.89	21.52	41.12	43.20
June ....	27.40	51.19		21.37	44.28	
July ....	36.31	57.17		28.12	49.74	
Aug. ....	37.67	58.10		29.76	51.89	
Sept. ....	35.79	61.23		29.04	54.56	
Oct. ....	38.90	58.52		33.42	51.94	
Nov. ....	38.34	49.74		33.57	42.25	
Dec. ....	39.93	48.33		33.78	38.50	
Av. ....	35.12	48.32		29.92	43.65	

<sup>1</sup> Average for all weights at Midwest markets.

### Fall Pork Output To Climb

The number of hogs moving to slaughter during the fall quarter may be up around a tenth from the summer and could exceed October-December 1975 by as much as 15 percent. Fall marketings will be drawn primarily from the March-May pig crop. In March, a 14-State producer survey reported a planned 10-percent increase in this pig crop. Actual farrowings may be somewhat larger than earlier plans. Slaughter weights may also be up seasonally from the summer. But the unusually heavy weights reached during the fall of 1975 may not recur, and this may limit the gain in pork production to about 12 to 14 percent over a year earlier.

While pork supplies will be largest during the fall quarter, production will grow from a very low level. Many pork products compete more directly with lower priced cuts of beef, and the supply of nonfed beef will likely be significantly reduced from the previous year. The resulting price increase

for this grade of beef should improve the demand for pork. Also, demand for pork products typically increases from summer to fall so the larger supplies may not result in sharp price declines. Even so, considering increased pork, poultry, and fed beef production, prices for market hogs may average in the low \$40's during October-December and could drop below \$40 before yearend.

### Prospects Into 1977

Slaughter hogs marketed during the first half of 1977 will be drawn largely from this year's June-November pig crop. The March 1 survey of producers in 14 States indicated plans to increase by 11 percent the number of sows farrowing during the summer quarter. The number of animals held for breeding in these States was increased by a tenth from last year. Sow slaughter during February through April, when plans for the pig crop were formulated, was reduced by 25 percent from a year earlier. Sow slaughter during March and April made up only 3½ percent of total hog slaughter, the lowest on record. This would suggest a farrowing response of at least as large as was indicated last March. Current indications point to an increase of 15 percent or more. Hog prices and feeding margins which develop over the next few weeks will determine the number of sows to farrow during September-November. If farrowings meet expectations during the fall quarter, the second half 1976 pig crop could be at least 15 percent above a year ago. A similar percentage gain in hog slaughter during the first half of 1977 could be expected.

The expansion in pork output now underway is expected to continue throughout 1977. The actual level will depend to a considerable extent on developments in the hog and grain markets over the next several months. With a larger acreage planned for corn production this year, lower trending grain prices are likely. The profitability of hog feeding as an alternative to the cash grain market this summer and fall will provide a basis for planning the 1977 spring pig crop. This pig crop will supply the slaughter hogs marketed during the last half of the year.

If the farm-level price of corn slips to \$2.25 or below before the end of the year, the prospective price relationship between cash grain and hogs would provide the livestock-feed grain producer with a fairly clear incentive to expand hog production. Adding sows and gilts to the breeding herd this summer and fall would result in a larger first half 1977 pig crop. This pig crop may range from 10 to 15 percent larger than during the previous year, suggesting total hog slaughter for the year 1977 might increase by as much as 15 percent and reach or exceed the 1974 level.



Table 5—Corn Belt Hog Feeding<sup>1</sup>Selected costs at current rates<sup>2</sup>

Purchased during Marketed during	Feb. June	Mar. July	Apr. Aug.	May Sept.	June Oct.	July Nov.	Aug. Dec.	Sept. Jan. 76	Oct. Feb.	Nov. Mar.	Dec. Apr.	Jan. 76 May	Feb. June	Mar. July	Apr. Aug.	May Sept.
	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head	Dollars per head
<b>Expenses:</b>																
40 lb. feeder pig .....	35.75	39.75	43.05	44.00	44.65	44.10	46.75	59.81	56.55	48.94	44.19	48.38	50.16	48.80	51.28	44.57
Corn (11 bu.) .....	31.46	29.59	29.48	29.26	29.48	29.92	32.56	30.36	28.16	25.52	25.74	26.62	27.28	27.50	27.06	29.04
Protein supplement (130 lb.) .....	13.06	12.74	13.06	12.87	13.00	13.06	13.72	13.91	13.78	13.13	13.39	13.52	13.58	13.65	13.65	14.30
Labor & management (1.3 hrs.) .....	6.19	6.19	5.46	5.46	5.46	5.69	5.69	5.69	6.37	6.37	6.37	6.37	6.66	6.66	6.66	6.71
Vet medicine <sup>3</sup> .....	1.46	1.45	1.47	1.49	1.50	1.51	1.51	1.53	1.53	1.53	1.53	1.56	1.57	1.57	1.58	1.55
Interest on purchase (4 mo.) .....	1.25	1.39	1.43	1.47	1.49	1.47	1.48	1.86	1.79	1.47	1.33	1.45	1.50	1.46	1.54	1.34
Power, equip, fuel, shelter, depreciation <sup>3</sup> .....	3.54	3.53	3.58	3.61	3.64	3.66	3.68	3.72	3.71	3.71	3.73	3.80	3.81	3.82	3.83	3.78
Death loss (4% of purchase) .....	1.43	1.59	1.72	1.76	1.79	1.76	1.87	2.39	2.26	1.96	1.77	1.94	2.01	1.95	2.05	1.78
Transportation (100 miles) .....	.48	.48	.48	.48	.48	.48	.48	.48	.48	.48	.48	.48	.48	.48	.48	.48
Marketing expenses .....	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14
Miscellaneous & indirect costs <sup>3</sup> .....	.36	.36	.37	.37	.37	.38	.38	.38	.38	.38	.38	.39	.39	.39	.39	.39
<b>Total .....</b>	<b>96.12</b>	<b>98.21</b>	<b>101.24</b>	<b>101.91</b>	<b>103.00</b>	<b>103.17</b>	<b>109.26</b>	<b>121.27</b>	<b>116.15</b>	<b>104.63</b>	<b>100.05</b>	<b>105.65</b>	<b>105.58</b>	<b>107.42</b>	<b>109.66</b>	<b>105.08</b>
	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.	Dollars per cwt.
<b>Selling price/cwt. required to cover feed and feeder costs (220 lb.) .....</b>	<b>36.49</b>	<b>37.31</b>	<b>38.90</b>	<b>39.15</b>	<b>39.60</b>	<b>39.58</b>	<b>42.29</b>	<b>47.31</b>	<b>44.77</b>	<b>39.81</b>	<b>37.87</b>	<b>40.24</b>	<b>41.37</b>	<b>40.89</b>	<b>41.81</b>	<b>39.96</b>
Selling price/cwt. required to cover all costs (220 lb.) .....	43.69	44.64	46.02	46.32	46.82	46.90	49.66	55.12	52.80	47.56	45.48	48.02	49.35	48.83	49.85	47.76
Feed cost per 100 lb. gain .....	24.73	23.52	23.63	23.41	23.60	23.88	25.71	24.59	23.34	21.49	21.74	22.30	22.70	22.86	22.62	24.08
Barrows and gilts <sup>7</sup> markets/cwt. ....	51.19	57.17	58.10	61.23	58.52	49.74	48.33	48.40	48.85	46.71	47.89	48.89				
Net margin/cwt. ....	+7.50	+12.53	+12.08	+14.91	+11.70	+2.84	-1.33	-6.72	-3.95	-.85	+2.41	+8.7				
<b>Prices:</b>																
40 lb. feeder pig (So. Missouri) .....	35.75	39.75	43.05	44.00	44.65	44.10	46.75	59.81	56.55	48.94	44.19	48.38	50.16	48.80	51.28	44.57
Corn <sup>4</sup> (bu.) .....	2.86	2.69	2.68	2.66	2.68	2.72	2.96	2.76	2.56	2.32	2.34	2.42	2.48	2.50	2.46	2.64
38-42% protein supp. <sup>5</sup> /cwt. ....	10.05	9.80	10.05	9.90	10.00	10.05	10.55	10.70	10.60	10.10	10.30	10.40	10.45	10.50	10.50	11.00
Labor and management <sup>6</sup> /hr. ....	4.76	4.76	4.20	4.20	4.20	4.38	4.38	4.38	4.90	4.90	4.90	4.90	4.90	5.12	5.12	5.16
Interest rate (annual) .....	10.50	10.50	10.00	10.00	10.00	10.00	9.50	9.50	9.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Transportation rate/cwt. 100 miles <sup>7</sup> .....	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22	.22
Marketing expenses <sup>8</sup> .....	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14
Index of prices paid by farmers (1910-14=100) .....	615	612	621	627	632	636	639	645	644	644	647	659	661	664	665	656

<sup>1</sup> Although a majority of hog feeding operations in the Corn Belt are from farrow to finish, relative fattening expenses will be similar. <sup>2</sup> Represents only what expenses would be if all selected items were paid for during the period indicated. The feed rations and expense items do not necessarily coincide with the Illinois. <sup>3</sup> Average prices paid by farmers in Iowa and Illinois. <sup>4</sup> Assumes an owner-operator receiving twice the farm labor rate. <sup>5</sup> Converted to cents/cwt. from cents/mile for a 44,000 pound haul. <sup>6</sup> Yardage plus commission fees at a midwest terminal market.

Hog-corn price ratio, Omaha basis

Month	1972	1973	1974	1975	1976
January ....	19.7	21.5	14.8	12.6	18.6
February ...	20.6	23.3	13.4	14.1	18.6
March .....	19.0	25.4	12.5	14.3	17.8
April .....	18.2	23.4	12.1	14.1	18.3
May .....	19.7	19.5	10.2	16.4	17.7
June .....	21.5	16.9	10.0	17.9	
July .....	22.8	19.9	11.2	19.4	
August .....	23.5	20.8	10.5	18.6	
September ..	22.6	18.4	10.3	20.7	
October ....	21.8	17.8	10.6	21.2	
November ..	20.6	16.9	11.0	19.4	
December ..	20.5	15.7	11.8	18.5	
Average ...	20.6	19.3	11.6	17.2	

The developing price structure would depend on general economic conditions as well as higher pork production levels. Even if the economy continues to improve with growth in consumer disposable incomes around 10 percent for the year, the potential increase in hog slaughter will likely be large enough to push 1977 hog prices well below 1976 levels.

#### Feeder Pig Prices Slip, Feeding Costs Up

A continued strong slaughter hog market held prices for feeder pigs on southern Missouri markets near \$50 per head through April. But as feed grain prices inched higher during May, feeder pig prices slipped to their lowest level this year. By the end of May, pigs weighing 40 to 50 pounds were selling just under \$42 per head.

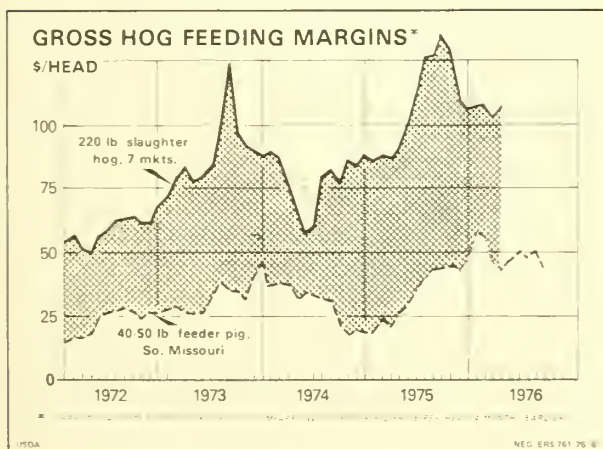
While the slaughter market may gain strength through the early summer, the potential for price advances in the feeder market is limited. Larger slaughter supplies and lower slaughter hog prices

are likely by late summer and fall. Feeder pig prices will be sensitive to developments in the grain market. With grain prices possibly erratic as the 1976 corn crop develops, feeder pig prices could fluctuate widely. While prospects for the corn crop are tentative, a record harvest is likely, given favorable weather. Lower feed costs would then limit the decline of feeder pig prices. If the grain market moves lower by summer, reflecting favorable crop conditions, feeder pig prices could level near \$40 per head through the remainder of 1976.

Gross hog feeding margins<sup>1</sup>

Year	Hogs 7 markets \$ per head	Feeder pigs So. Missouri \$ per head	Margins \$ per head
1973			
January .....	71.59	27.85	43.74
February .....	79.71	28.63	51.08
March .....	83.89	26.50	57.39
April .....	78.23	25.56	52.67
May .....	79.97	26.38	53.59
June .....	84.81	33.60	51.21
July .....	102.61	38.69	63.92
August .....	124.70	34.97	89.73
September .....	96.34	34.81	61.53
October .....	92.66	31.90	60.76
November .....	90.13	40.81	49.32
December .....	87.54	45.50	42.04
1974			
January .....	89.30	36.75	52.55
February .....	87.41	38.25	49.16
March .....	76.74	37.10	39.64
April .....	67.14	32.33	34.81
May .....	57.40	34.70	22.70
June .....	60.28	33.25	27.03
July .....	79.88	32.50	47.38
August .....	82.87	32.18	50.69
September .....	78.74	22.10	56.64
October .....	85.58	17.31	68.27
November .....	84.35	20.31	64.04
December .....	87.85	19.44	68.41
1975			
January .....	85.65	18.75	66.90
February .....	87.14	24.10	63.04
March .....	86.94	21.13	65.81
April .....	89.52	25.75	63.77
May .....	102.17	30.10	72.07
June .....	112.62	35.75	76.87
July .....	125.77	39.75	86.02
August .....	127.82	43.05	84.77
September .....	134.71	44.00	90.71
October .....	128.74	44.65	84.09
November .....	109.43	44.10	65.33
December .....	106.33	46.75	59.58
1976			
January .....	106.48	59.81	46.67
February .....	107.47	56.55	50.92
March .....	102.76	48.94	53.82
April .....	105.36	44.19	61.17
May .....	107.56	48.38	59.18

<sup>1</sup> Current 220 lb. Slaughter Hog compared with a 40-50 lb. Feeder Pig purchased 4 months earlier.



## SHEEP AND LAMBS

A shift in the composition of slaughter and a seasonal reduction in total slaughter supplies pushed lamb prices to new highs this spring. Choice slaughter lambs at San Angelo averaged near \$63 per 100 pounds during April, up over \$6 from March and \$16 above April 1975. The upward trend continued through the middle of May, peaking near \$65-\$67 per 100 pounds on most markets before turning lower.

Weekly slaughter under Federal inspection through the first 8 weeks of the second quarter averaged 118,000 head per week. This was a reduction of about 12,000 head per week from the winter average and about 17 percent from a year earlier. April-June commercial sheep and lamb slaughter may total about 1.6 million head, 7 percent fewer than January-March 1976 and around 17 percent below the second quarter of 1975. Average slaughter weights, however, are running about 4

pounds per carcass over a year ago, tempering declines in production. Commercial production of lamb and mutton may total around 87 million pounds during the second quarter, 8 to 10 percent under spring 1975 production.

### Second Half Slaughter To Increase, Prices May Slip

While slaughter may continue near the late spring level through the first weeks of the summer quarter, gains late in the quarter may boost total commercial slaughter around a tenth above the spring level. Slaughter during July-September may average 130,000 to 135,000 head per week. With the highest concentration of milkfat lambs in the slaughter mix likely during the summer, lighter carcasses may tend to limit the seasonal gain in lamb and mutton production. Production may trail 1975 by a tenth.

Little change in marketings is expected during the fourth quarter with slaughter possibly running 6 to 8 percent below the fall 1975 level. Commercial slaughter for the year may then total approximately 7 million head, down 10 to 12 percent from last year.

Developments in the feed grain market will have a significant impact on lamb feeding this fall. As milkfat lamb marketings decline during October and November, fed lambs become the dominant source of slaughter, and average carcass weights begin to rise. With a favorable outlook for 1976 grain harvest, feeding activity should gain momentum late in the fourth quarter with average carcass weights expected to exceed the October-December 1975 level of 52 pounds. Commercial production of lamb and mutton may be reduced only 3 to 5 percent from the year-earlier level.

Lamb prices are expected to ease as slaughter picks up seasonally. Average prices may hold near \$50 during the summer followed by some further

Choice lamb prices per 100 pounds, San Angelo

Month	Slaughter lambs			Feeder lambs		
	1974	1975	1976	1974	1975	1976
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Jan. ....	39.50	38.25	49.25	39.55	34.12	48.38
Feb. ....	40.75	39.31	49.00	38.12	35.31	49.69
Mar. ....	40.38	45.88	56.25	41.88	43.50	56.30
Apr. ....	42.25	46.65	62.95	41.56	43.65	62.71
May ....	47.15	47.62	62.12	42.00	43.00	59.75
June ....	46.25	46.06		37.08	39.69	
July ....	37.94	45.25		31.25	40.25	
Aug. ....	42.50	40.75		32.58	38.75	
Sept. ....	36.12	43.50		30.75	41.25	
Oct. ....	36.44	44.50		31.75	42.62	
Nov. ....	37.58	46.83		36.25	46.33	
Dec. ....	39.25	48.75		36.42	48.38	
Av. ....	40.51	44.45		36.52	41.40	

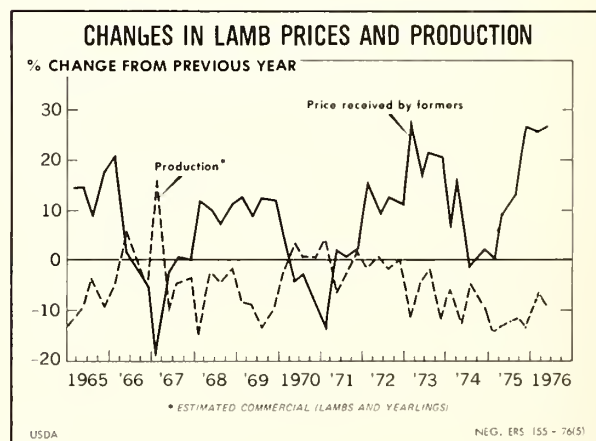
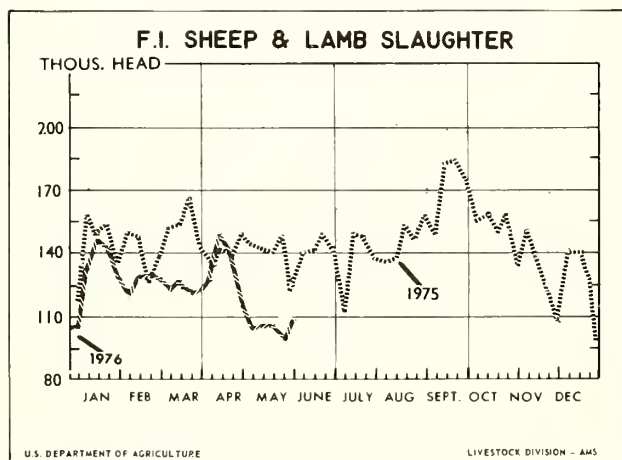




Table 6—Lamb supplies and prices

	Commercial slaughter <sup>1</sup>			Average dressed weight	Commer- cial produc- tion	Per capita consumption <sup>2</sup>	Prices			
	Lambs and yearlings	Sheep	Total				Retail	San Angelo		Farm
								Choice slaughter	Choice feeder	
	1,000 head	1,000 head	1,000 head	Lb.	Mil. lb.	Lb.	Cents per lb.	Dollars per/cwt	Dollars per/cwt	Dollars per/cwt
1971										
I .....	2,586	140	2,726	54	145	0.8	106.5	25.41	25.60	24.17
II .....	2,365	265	2,630	51	133	.8	108.3	29.60	26.62	27.30
III .....	2,424	247	2,671	49	129	.8	111.8	27.63	25.13	26.80
IV .....	2,497	206	2,703	51	137	.7	112.2	26.00	26.11	25.33
Year .....	9,872	858	10,730	51	544	3.1	109.7	27.16	25.86	25.90
1972										
I .....	2,544	116	2,660	54	142	.8	114.6	29.29	29.44	27.93
II .....	2,330	170	2,500	52	130	.9	116.9	32.92	31.45	29.90
III .....	2,328	202	2,530	49	124	.9	121.2	31.42	29.71	30.23
IV .....	2,396	214	2,610	53	137	.7	122.6	29.18	30.36	28.17
Year .....	9,598	702	10,300	52	533	3.3	118.8	30.70	30.24	29.10
1973										
I .....	2,240	76	2,316	54	126	.7	130.6	38.65	38.70	35.70
II .....	2,164	205	2,369	54	127	.7	134.0	38.22	37.37	34.97
III .....	2,237	305	2,542	51	128	.7	139.7	38.36	35.90	36.77
IV .....	2,116	254	2,370	52	123	.6	132.7	37.55	36.69	33.90
Year .....	8,757	840	9,597	53	504	2.7	134.3	38.20	37.17	35.10
1974										
I .....	2,082	108	2,190	54	119	.6	137.6	40.21	37.29	38.17
II .....	1,972	140	2,112	52	109	.6	139.7	45.25	40.21	40.80
III .....	2,214	199	2,413	49	118	.6	152.3	38.85	31.42	36.30
IV .....	1,991	141	2,132	51	108	.5	153.3	37.36	34.81	34.70
Year .....	8,259	588	8,847	51	454	2.3	145.7	40.42	35.93	37.00
1975										
I .....	1,879	65	1,944	52	101	.5	155.9	41.15	37.97	38.17
II .....	1,773	152	1,925	50	96	.5	163.9	46.78	42.11	44.50
III .....	1,922	169	2,091	50	104	.5	174.7	43.17	40.08	41.17
IV .....	1,681	194	1,875	52	98	.5	176.2	46.68	45.78	44.37
Year .....	7,255	580	7,835	51	399	2.0	167.6	44.44	41.40	42.05
1976										
I .....	1,647	69	1,716	55	95	.5	179.3	51.50	51.46	48.07
II <sup>3</sup> .....	1,475	125	1,600	54	87	.5	185.0	60.00	58.50	56.50
III .....										
IV .....										
Year .....										

<sup>1</sup> Classes estimated. <sup>2</sup> Total, including Farm Population. <sup>3</sup> Forecast.

price weakness during the early fall. Prices during the second half may reach a low in October or November when slaughter normally peaks. An improving price structure during December would then be expected with prices holding near \$50 at yearend.

#### Inventory Decline To Slow

The sharp reduction in slaughter and record high lamb prices this year may help slow the decline in the sheep and lamb inventory after 15 years of steep drops. While an estimate of the 1976 lamb crop will not be made until July 1, a preliminary number can be obtained by estimating the lambing rate. The January 1 inventory of ewes

1 year old and older totaled approximately 9.3 million head, 7 percent fewer than a year ago. In 1975, the lamb crop equaled 98 percent of the number of ewes on farms in that year. If the same lambing rate is achieved in 1976, the crop could then exceed 9 million head for the year.

The number of lambs saved per 100 ewes in 1975 was a record. In the previous 5 years, U.S. producers averaged 95 lambs for every 100 ewes on farms and ranches January 1. A lambing rate of 95 percent would suggest a lamb crop near 8.8 million head. Thus, if total slaughter for 1976 is reduced 10 to 12 percent from 1975, as expected, and death losses are reduced in the same proportion as the total inventory, the January 1, 1977, inventory could be reduced 2 to 4 percent.

This reduction in the beginning 1977 inventory suggests continued, but perhaps smaller, reductions in slaughter for 1977. Most of the ewe lambs held over from the 1976 lamb crop for breeding ewe replacements will have their first lamb in 1978. If the past relationship between January 1 inventory and commercial sheep and lamb slaughter holds in 1977, slaughter could be reduced by less than 5 percent.

## MEAT CONSUMPTION AND PRICES

Larger meat supplies have pushed retail meat prices lower in recent months. Commercial red meat production during January-March rose to a first quarter record level of 9.7 billion pounds. This was up 6 percent from a year earlier and was the

largest for any quarter since fall 1974. The higher level of meat production also increased per capita red meat consumption to a record first quarter level of about 48.3 pounds,<sup>1</sup> up over 1½ pounds from a year earlier.

The retail price index of meat fell from a record 194 (1967=100) in October 1975 to 177 in April, a 9-percent decline in 6 months. Even so, the first quarter meat index still averaged 14 percent higher than a year earlier and was the second highest quarter of record. April prices averaged 10 percent over a year earlier.

### Beef Prices To Rise

All the increase in first quarter meat production and consumption levels was due to record beef and veal availability. January-March beef production

Table 7—Expenditures per person and percent of income spent for red meat<sup>1</sup>

Year and quarter	Dispos- able income	Spent for beef <sup>2</sup>	Per- cent- age	Spent for pork	Per- cent- age	Spent for veal	Per- cent- age	Spent for lamb	Per- cent- age	Spent for all meat	Per- cent- age
	Dollars	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
1955 .....	1,654	42.75	2.58	33.27	2.01	4.99	0.30	2.73	0.17	83.76	5.06
1960 .....	1,934	51.57	2.67	33.76	1.75	4.10	.21	3.11	.16	92.54	4.79
1965 .....	2,430	58.95	2.43	35.93	1.48	3.58	.15	2.61	.11	101.07	4.16
1970 .....	3,348	82.92	2.48	48.20	1.44	2.98	.09	3.06	.09	137.16	4.10
1971											
I .....	879	20.54	2.34	11.76	1.34	.78	.09	.75	.09	33.83	3.86
II .....	895	21.80	2.44	11.42	1.28	.67	.07	.76	.08	34.65	3.87
III .....	902	22.87	2.53	11.91	1.32	.70	.08	.78	.09	36.26	4.02
IV .....	913	21.96	2.41	12.65	1.39	.84	.09	.79	.09	36.24	3.97
Year .....	3,588	87.11	2.43	47.74	1.33	2.98	.08	3.07	.09	140.90	3.93
1972											
I .....	931	23.91	2.57	13.04	1.40	.74	.08	.80	.09	38.49	4.13
II .....	943	24.03	2.55	12.31	1.31	.61	.06	.94	.10	37.89	4.02
III .....	964	25.02	2.60	12.66	1.31	.63	.07	.97	.10	39.28	4.08
IV .....	1,999	24.79	2.48	14.12	1.41	.80	.08	.74	.07	40.45	4.05
Year .....	3,837	97.75	2.55	52.17	1.36	2.77	.07	3.45	.09	156.14	4.07
1973											
I .....	1,033	26.74	2.59	14.62	1.42	.85	.08	.91	.09	43.12	4.17
II .....	1,061	26.35	2.48	14.74	1.39	.54	.05	.80	.08	42.43	4.00
III .....	1,085	28.08	2.59	15.83	1.46	.56	.05	.84	.08	45.31	4.18
IV .....	1,113	28.64	2.57	17.53	1.58	.76	.07	.66	.06	47.59	4.28
Year .....	4,292	109.89	2.56	62.90	1.47	2.73	.06	3.22	.07	178.74	4.16
1974											
I .....	1,128	30.33	2.69	17.86	1.58	.79	.07	.69	.06	49.67	4.40
II .....	1,144	28.65	2.50	15.89	1.39	.58	.05	.70	.06	45.82	4.00
III .....	1,175	30.74	2.62	16.11	1.37	.97	.08	.76	.06	48.58	4.13
IV .....	1,195	30.13	2.52	17.09	1.43	1.33	.11	.77	.06	49.32	4.13
Year .....	4,642	119.92	2.59	66.98	1.45	3.69	.08	2.91	.06	193.50	4.17
1975											
I .....	1,202	29.03	2.42	16.02	1.33	1.47	.12	.78	.06	47.30	3.94
II .....	1,268	30.76	2.43	16.13	1.27	1.46	.12	.66	.05	49.01	3.87
III .....	1,271	35.03	2.76	17.01	1.34	1.82	.14	.70	.06	54.56	4.29
IV .....	1,299	34.97	2.69	19.18	1.48	1.77	.14	.88	.07	56.80	4.37
Year .....	5,040	129.79	2.58	68.85	1.37	6.52	.13	3.02	.06	208.18	4.13
1976											
I .....	1,328	34.51	2.60	18.40	1.39	1.56	.12	.90	.07	55.37	4.17
II .....	1,368	33.18	2.43	17.66	1.29	1.23	.09	.74	.05	52.81	3.86

<sup>1</sup> Estimated from retail weight of consumption times average retail price. Conversion factors of 0.74 for beef, 0.93 for pork, 0.83 for veal, and 0.89 for lamb and mutton were used to adjust carcass weight consumption to retail weight consumption.

<sup>2</sup> Based on the average retail price of Choice grade beef and does not attempt to account for prices of other grades or the value of away-from-home consumption.



Table 8—Per capita meat consumption by quarters<sup>1</sup>

Year	Carcass weight					Retail weight				
	First	Second	Third	Fourth	Total	First	Second	Third	Fourth	Total
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
<b>Beef</b>										
1969 .....	27.2	26.7	28.6	28.3	110.8	20.2	19.7	21.2	20.9	82.0
1970 .....	28.3	27.9	29.0	28.5	113.7	20.9	20.6	21.5	21.1	84.1
1971 .....	27.7	28.1	29.3	27.9	113.0	20.5	20.8	21.7	20.6	83.6
1972 .....	28.2	28.9	29.4	29.6	116.1	20.9	21.4	21.7	21.9	85.9
1973 .....	28.0	26.2	26.8	28.6	109.6	20.7	19.4	19.8	21.2	81.1
1974 .....	28.3	28.8	29.4	30.3	116.8	20.9	21.3	21.8	22.4	86.4
1975 .....	30.3	28.4	30.2	31.2	120.1	22.4	21.0	22.4	23.1	88.9
1976 <sup>2</sup> .....	32.7	31.4	30.2	31.0	125.3	24.2	23.2	22.3	23.0	92.7
<b>Veal</b>										
1969 .....	0.9	0.8	0.8	0.8	3.3	0.7	0.6	0.7	0.7	2.7
1970 .....	.8	.7	.7	.7	2.9	.6	.6	.6	.6	2.4
1971 .....	.7	.6	.7	.7	2.7	.6	.5	.5	.6	2.2
1972 .....	.6	.5	.5	.6	2.2	.5	.4	.4	.5	1.8
1973 .....	.5	.4	.4	.5	1.8	.5	.3	.3	.4	1.5
1974 .....	.5	.4	.6	.8	2.3	.4	.3	.5	.7	1.9
1975 .....	.9	.9	1.2	1.2	4.2	.8	.8	1.0	1.0	3.6
1976 <sup>2</sup> .....	1.1	.8	.7	.6	3.2	.9	.7	.6	.5	2.7
<b>Pork</b>										
1969 .....	17.0	16.0	15.5	16.5	65.0	15.8	14.9	14.4	15.3	60.4
1970 .....	15.4	15.6	16.3	19.1	66.4	14.3	14.5	15.2	17.8	61.8
1971 .....	18.3	17.8	18.0	18.9	73.0	17.0	16.6	16.7	17.6	67.9
1972 .....	17.7	16.6	15.8	17.3	67.4	16.5	15.4	14.7	16.1	62.7
1973 .....	16.0	15.4	14.0	16.2	61.6	14.9	14.3	13.0	15.1	57.3
1974 .....	16.7	17.2	16.1	16.6	66.6	15.5	16.0	15.0	15.4	61.9
1975 .....	15.0	14.1	12.3	13.4	54.8	14.0	13.1	11.4	12.5	51.0
1976 <sup>2</sup> .....	14.0	13.8	13.7	15.3	56.8	13.0	12.8	12.8	14.2	52.8
<b>Lamb &amp; Mutton</b>										
1969 .....	0.9	0.8	0.9	0.8	3.4	0.8	0.8	0.7	0.7	3.0
1970 .....	.9	.9	.8	.7	3.3	.8	.8	.7	.6	2.9
1971 .....	.8	.8	.8	.7	3.1	.7	.7	.7	.7	2.8
1972 .....	.8	.9	.9	.7	3.3	.7	.8	.8	.6	2.9
1973 .....	.7	.7	.7	.6	2.7	.7	.6	.6	.5	2.4
1974 .....	.6	.6	.6	.5	2.3	.5	.5	.5	.5	2.0
1975 .....	.5	.5	.5	.5	2.0	.5	.4	.4	.5	1.8
1976 <sup>2</sup> .....	.5	.5	.5	.5	2.0	.5	.4	.4	.5	1.8
<b>Red Meat</b>										
1969 .....	46.0	44.3	45.8	46.4	182.5	37.5	36.0	37.0	37.6	148.1
1970 .....	45.4	45.1	46.8	49.0	186.3	36.6	36.5	38.0	40.1	151.2
1971 .....	47.5	47.3	48.8	48.2	191.8	38.8	38.6	39.6	39.5	156.5
1972 .....	47.3	46.9	46.6	48.2	189.0	38.6	38.0	37.6	39.1	153.3
1973 .....	45.2	42.7	41.9	45.9	175.7	36.8	34.6	33.7	37.2	142.3
1974 .....	45.6	47.0	46.7	47.9	187.3	37.3	38.1	37.8	39.0	152.2
1975 .....	46.7	43.9	44.2	46.3	181.1	37.7	35.3	35.2	37.1	145.3
1976 <sup>2</sup> .....	48.3	46.5	45.1	47.4	187.3	38.6	37.1	36.1	38.2	150.0

<sup>1</sup> Total consumption including farm, 50 States. <sup>2</sup> II, III, IV quarters forecast.

totaled a record 6.5 billion pounds, a gain of 11 percent from a year earlier. Although declining from last fall's higher output, veal production totaled 206 million pounds, 25 percent more than a year ago. First quarter beef consumption reached 32.7 pounds per person, nearly 2½ pounds more than a year earlier. Veal consumption rose about one-fifth pound per person from a year earlier.

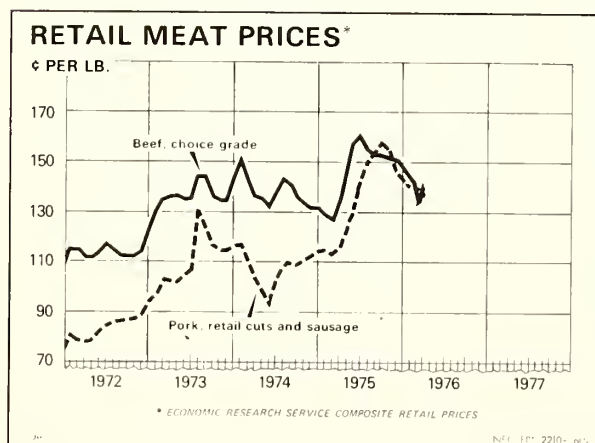
Retail beef and veal prices have been trending steadily lower for about 9 months, and in April they averaged about 14 percent below last July's peaks. Prices of higher grade cuts have declined

more than hamburger, reflecting the shift in fed nonfed beef production. Since last July, for example, sirloin steak prices declined 18 percent, while hamburger prices only fell 10 percent. In comparison with a year earlier, however, April hamburger prices were up only 5 percent, while sirloin steak prices were still 15 percent higher.

Retail hamburger prices have been unusually stable so far this year, considering the significant decline in nonfed beef production and the sharp increases in wholesale cow beef prices. Canner and cutter cow beef prices on midwestern wholesale

Table 9—Average retail price of meat per pound, United States, by months, 1968 to date<sup>1</sup>

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Av.
Beef, Choice grade													
1968 .....	84.3	85.1	85.6	85.6	85.8	85.8	87.1	87.0	88.4	87.7	88.1	88.5	86.6
1969 .....	89.5	89.6	90.9	93.3	97.8	101.9	102.4	101.1	99.1	95.2	96.5	96.9	96.2
1970 .....	97.5	97.3	99.4	99.9	99.4	98.5	100.7	100.4	98.7	97.9	97.6	96.5	98.6
1971 .....	97.2	101.3	102.2	104.0	104.8	105.7	104.7	105.7	105.9	105.1	106.3	108.5	104.3
1972 .....	111.5	115.8	115.8	112.0	111.4	113.5	117.3	115.8	112.9	112.8	112.3	114.6	113.8
1973 .....	122.1	130.3	135.3	136.0	136.0	135.5	136.3	144.2	144.9	136.0	134.9	134.4	135.5
1974 .....	143.0	150.0	142.2	136.4	135.0	132.2	137.9	143.4	141.6	136.8	134.4	132.2	138.8
1975 .....	132.8	129.0	127.0	133.9	147.8	157.8	161.0	155.5	152.8	152.4	151.2	150.6	146.0
1976 .....	148.6	142.7	135.1	142.0									
Veal, retail cuts													
1968 .....	99.8	99.2	100.0	102.0	100.0	102.5	101.7	101.4	101.9	101.1	101.9	100.9	101.0
1969 .....	102.5	103.7	104.6	107.5	108.6	112.5	114.0	115.0	115.1	115.2	114.6	116.3	110.8
1970 .....	117.2	119.3	120.8	123.3	123.9	124.9	125.7	126.6	127.0	127.4	127.6	127.9	124.3
1971 .....	128.9	129.4	130.6	132.9	133.7	134.8	138.5	139.3	139.6	140.3	140.6	140.9	135.8
1972 .....	142.8	148.6	149.7	151.0	151.7	154.2	156.4	157.3	157.6	158.4	159.4	159.9	153.9
1973 .....	162.2	169.1	176.9	180.5	181.1	181.3	183.2	188.7	188.5	190.6	186.2	191.6	181.7
1974 .....	194.5	198.4	199.1	194.8	193.3	193.7	192.4	194.8	196.1	192.4	189.1	190.6	194.1
1975 .....	187.0	183.5	179.6	180.2	182.9	183.1	186.6	181.6	178.2	176.8	176.7	177.4	181.1
1976 .....	174.4	173.7	173.2	171.5									
Pork													
1968 .....	65.4	66.7	67.1	66.3	66.7	67.8	69.4	69.0	68.8	67.8	67.1	67.0	67.4
1969 .....	67.9	68.6	69.0	69.1	71.6	75.0	76.9	78.3	78.9	78.7	78.1	79.7	74.3
1970 .....	82.1	81.8	81.4	79.9	80.0	80.0	80.6	79.7	76.7	74.6	70.8	68.4	78.0
1971 .....	68.4	69.4	69.9	68.7	68.2	69.6	71.4	71.6	71.0	71.3	71.4	72.9	70.3
1972 .....	76.3	81.3	79.4	78.2	79.4	82.0	85.6	86.0	86.6	87.5	87.2	88.5	83.2
1973 .....	94.1	97.1	103.0	102.7	102.4	104.1	107.5	131.5	126.3	117.1	115.4	115.8	109.8
1974 .....	116.7	117.2	111.8	104.7	99.4	93.7	103.7	108.7	109.9	109.0	111.4	112.7	108.2
1975 .....	114.9	114.8	113.6	115.7	123.0	130.5	143.7	150.2	153.8	158.7	154.0	147.5	135.0
1976 .....	144.2	141.6	138.7	136.6									
Lamb, Choice grade													
1968 .....	89.8	90.4	92.0	92.5	93.3	93.7	94.5	93.6	93.1	94.5	94.2	93.5	92.9
1969 .....	94.5	95.9	96.4	97.1	100.1	101.8	104.4	102.9	103.4	103.9	103.7	104.8	100.7
1970 .....	104.8	104.8	104.7	105.6	103.9	105.7	106.0	106.3	106.3	105.9	105.9	106.4	105.5
1971 .....	105.9	106.5	107.0	107.4	108.0	109.6	111.4	111.5	112.6	110.9	112.7	113.0	109.7
1972 .....	113.0	115.3	115.5	116.0	115.7	119.0	121.2	121.5	121.0	121.5	122.5	123.7	118.8
1973 .....	125.6	130.2	136.1	135.5	134.2	132.2	133.4	140.4	145.4	135.2	131.3	131.7	134.3
1974 .....	132.6	138.2	141.9	141.3	141.8	144.4	151.4	151.5	154.1	151.8	152.2	155.9	145.7
1975 .....	156.0	157.1	154.5	158.2	164.2	169.2	174.9	173.5	175.7	175.0	176.5	177.0	167.6
1976 .....	178.3	178.1	181.4	183.4									

<sup>1</sup> Estimated weighted average price of retail cuts. Compiled by Economic Research Service from BLS data.

markets rose about 25 percent from early this year through May, and at times in March sold higher than Choice grade stew beef. But during the first 4 months of this year, retail hamburger prices slipped 5 percent lower. This may indicate that moderate increases in hamburger prices are in store for later this year, especially if the cow beef supply becomes no larger. The stability of hamburger prices at retail may also suggest consumers are readily switching from nonfed beef back to Choice beef cuts. If so, this transfer of demand from nonfed to fed beef should add upward price pressure on a fed beef supply that is not expected to grow significantly for the balance of the year. The average retail composite price of Choice beef slipped to a low of about \$1.33 per pound in early

Table 10—Average retail price of specified meat cuts, per pound, by months, 1972 to date

Year and item	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
<b>Beef:</b>												
Porterhouse steak												
1972 .....	176.3	180.8	181.3	177.8	175.3	180.1	187.1	187.3	184.9	180.2	182.0	179.7
1973 .....	187.7	197.1	201.4	204.4	204.1	206.4	207.7	216.7	216.3	207.6	202.4	200.2
1974 .....	201.3	214.7	211.5	206.0	204.1	206.6	205.8	220.2	226.6	216.4	212.0	207.8
1975 .....	204.6	203.7	199.1	203.9	224.2	249.1	269.6	264.7	260.3	261.1	253.8	252.6
1976 .....	253.7	241.4	235.0	227.9								
Round steak												
1972 .....	143.9	151.0	151.3	147.4	143.7	145.9	151.0	150.7	147.1	145.9	147.7	146.6
1973 .....	155.9	167.8	174.6	174.8	173.8	173.9	176.3	187.7	188.5	175.8	174.7	171.4
1974 .....	176.7	193.4	187.3	178.8	175.6	174.9	174.0	182.9	185.9	178.7	177.8	171.0
1975 .....	172.9	171.5	167.9	171.0	186.7	198.9	207.7	202.2	193.7	199.2	195.5	194.6
1976 .....	197.0	185.7	180.4	176.2								
Rib roast												
1972 .....	126.8	130.5	131.4	129.6	128.1	128.2	132.2	132.2	130.2	128.8	127.8	128.4
1973 .....	137.2	142.3	148.6	150.9	152.4	153.4	154.4	160.1	161.5	157.8	154.5	153.8
1974 .....	154.8	163.4	159.8	154.7	153.3	152.0	152.1	160.1	168.6	164.5	159.7	158.6
1975 .....	160.7	157.3	154.9	155.9	167.8	184.0	206.2	200.3	194.4	191.8	189.6	192.2
1976 .....	192.2	182.9	175.7	171.7								
Rump roast												
1972 .....	141.0	148.1	149.1	146.0	142.1	145.3	149.3	150.1	147.0	145.7	146.3	145.8
1973 .....	153.7	164.4	169.5	169.8	169.7	170.2	171.6	181.7	182.3	172.1	170.8	167.3
1974 .....	171.8	186.9	182.0	174.8	172.2	171.6	170.5	177.2	180.8	174.3	174.5	169.9
1975 .....	169.3	169.6	167.1	169.6	182.4	191.5	199.8	196.6	187.7	193.7	188.5	187.5
1976 .....	191.2	181.8	177.0	173.7								
Chuck roast												
1972 .....	79.1	84.2	85.1	83.0	80.7	79.8	83.5	84.6	82.2	81.2	81.1	81.1
1973 .....	85.3	96.1	100.6	103.3	103.6	103.3	103.9	114.2	115.0	106.3	101.8	100.5
1974 .....	101.0	114.7	113.0	102.7	97.4	95.0	95.4	102.2	105.0	101.2	99.5	98.2
1975 .....	91.5	92.1	90.6	90.9	100.7	107.6	116.8	112.5	107.7	108.2	107.3	107.6
1976 .....	103.5	102.0	99.2	92.5								
Hamburger												
1972 .....	70.6	73.2	74.1	73.8	73.5	74.1	75.1	76.4	75.3	75.7	75.4	75.2
1973 .....	78.2	83.9	91.3	94.2	94.6	95.3	94.8	103.8	106.2	104.2	101.5	100.4
1974 .....	102.6	109.5	108.4	101.2	97.1	95.2	90.5	94.8	96.4	93.0	89.7	87.5
1975 .....	85.4	82.8	80.5	80.5	86.7	90.6	93.8	92.7	90.1	90.8	90.4	88.8
1976 .....	89.3	87.7	86.4	85.6								
<b>Veal Cutlet</b>												
1972 .....	250.5	260.7	262.7	265.0	266.3	270.7	274.5	276.1	276.6	278.0	279.8	280.8
1973 .....	284.6	295.7	308.5	314.0	314.1	313.5	315.9	324.6	323.4	326.2	327.4	326.0
1974 .....	341.3	348.4	350.2	343.1	340.9	342.0	340.2	344.8	347.5	341.6	336.2	339.2
1975 .....	328.1	323.0	317.2	319.2	325.1	326.4	333.5	325.9	320.9	319.5	320.4	322.7
1976 .....	306.0	304.7	303.8	300.9								
<b>Pork:</b>												
Chops												
1972 .....	112.3	125.1	119.9	116.8	115.6	120.7	131.6	128.9	132.5	131.3	130.9	129.3
1973 .....	139.5	147.7	154.2	145.0	147.0	150.0	152.1	196.5	169.8	157.9	157.6	153.4
1974 .....	162.7	164.0	158.5	149.7	143.7	139.8	153.9	158.9	164.5	161.9	161.2	159.0
1975 .....	160.7	161.4	161.1	161.4	167.2	183.3	204.1	203.9	205.7	211.0	207.2	199.9
1976 .....	190.2	192.8	191.8	184.8								
Roast, loin												
1972 .....	79.5	86.9	85.5	82.8	82.1	85.1	93.1	92.1	93.1	93.2	93.3	92.0
1973 .....	99.3	105.5	111.9	109.5	108.7	110.1	111.7	151.5	131.3	120.7	119.7	116.9
1974 .....	122.9	123.9	121.1	111.7	107.5	102.9	113.3	117.6	121.6	119.8	119.1	117.2
1975 .....	121.1	120.4	120.0	119.8	125.0	138.6	156.1	155.9	158.7	162.9	160.4	157.0
1976 .....	149.8	151.2	150.0	142.4								
Bacon, sliced												
1972 .....	83.2	93.9	92.7	92.5	91.2	93.1	95.7	99.4	99.8	106.0	103.7	103.5
1973 .....	107.3	114.7	118.1	121.6	119.5	121.2	123.1	161.0	166.4	152.8	142.9	141.4
1974 .....	139.1	143.4	137.1	124.8	118.1	109.7	108.9	132.6	140.6	141.6	143.8	144.2
1975 .....	147.1	147.8	149.2	147.9	157.7	165.5	177.9	192.0	211.3	216.1	204.5	190.1
1976 .....	176.7	176.1	170.4	170.3								
Ham, whole												
1972 .....	74.9	76.6	74.8	76.7	75.2	76.3	77.5	78.0	78.6	79.9	81.9	85.5
1973 .....	92.0	91.0	97.8	99.7	98.4	97.8	98.2	121.7	126.0	115.3	117.0	122.2
1974 .....	121.3	115.9	114.2	108.9	97.3	92.6	89.9	99.0	101.1	102.7	108.8	113.8
1975 .....	114.7	109.9	110.5	109.9	109.0	114.5	120.0	125.6	131.5	144.7	147.9	148.5
1976 .....	152.0	142.9	140.0	139.4								
<b>Lamb Chops</b>												
1972 .....	192.1	195.5	196.0	195.3	195.0	199.7	203.0	203.6	202.6	203.9	204.0	203.1
1973 .....	205.3	218.1	225.5	227.5	226.6	224.5	228.8	241.4	240.8	227.1	223.4	230.1
1974 .....	200.2	216.3	219.7	213.2	213.0	222.9	225.7	226.1	226.2	223.2	224.5	227.3
1975 .....	252.1	254.8	255.3	256.2	264.4	275.3	280.4	282.3	283.3	282.9	283.2	283.4
1976 .....	282.5	281.3	279.9	287.4								

Data from the Bureau of Labor Statistics.

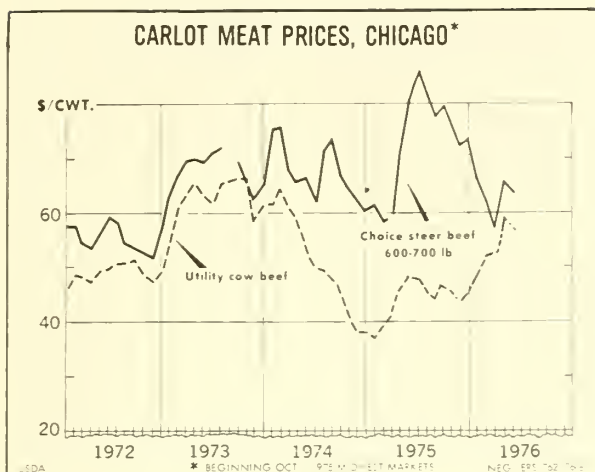
Table 11—Beef and Pork Prices and Price Spreads

Date	Retail price per pound <sup>1</sup>	Carcass value <sup>2</sup>	Gross farm value <sup>3</sup>	Byproduct allowance <sup>4</sup>	Net farm value <sup>5</sup>	Farm-retail spread			Farmers' share
						Total	Carcass-retail	Farm-carcass	
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Percent
Beef, Choice grade									
1970 .....	98.6	68.3	66.2	4.7	61.5	37.1	30.3	6.8	62
1971 .....	104.3	75.7	72.3	4.5	67.8	36.5	28.6	7.9	65
1972 .....	113.8	80.1	79.8	7.4	72.4	41.4	33.7	7.7	64
1973 .....	135.5	98.1	100.0	10.1	89.9	45.6	37.4	8.2	66
1974 .....	138.8	97.4	93.7	7.6	86.1	52.7	41.4	11.3	62
1975 .....	146.0	105.5	99.9	7.0	92.9	53.1	40.5	12.6	64
1972									
I .....	114.4	81.4	79.3	5.7	73.6	40.8	33.0	7.8	64
II .....	112.3	81.3	80.4	6.9	73.5	38.8	31.0	7.8	65
III .....	115.3	79.9	80.5	7.9	72.6	42.7	35.4	7.3	63
IV .....	113.2	77.8	78.9	8.9	70.0	43.2	35.4	7.8	62
1973									
I .....	129.2	95.2	96.6	9.3	87.3	41.9	34.0	7.9	68
II .....	135.8	100.2	102.7	10.0	92.7	43.1	35.6	7.5	68
III .....	141.8	104.9	110.4	11.6	98.8	43.0	36.9	6.1	70
IV .....	135.1	92.1	90.2	9.5	80.7	54.4	42.9	11.5	60
1974									
I .....	145.1	103.9	101.5	9.4	92.1	53.0	41.2	11.8	63
II .....	134.5	93.6	89.0	7.3	81.7	52.8	40.9	11.9	61
III .....	141.0	102.1	99.1	7.8	91.3	49.7	38.9	10.8	65
IV .....	134.5	90.2	85.4	6.1	79.3	55.2	44.3	10.9	59
1975									
I .....	129.6	86.6	80.3	5.1	75.2	54.4	43.0	11.4	58
II .....	146.5	113.4	108.4	7.1	101.3	45.2	33.1	12.1	69
III .....	156.4	115.4	108.8	7.9	100.9	55.5	41.0	14.5	65
IV .....	151.4	106.5	102.2	7.9	94.3	57.1	44.9	12.2	62
1976									
Jan. ....	148.6	96.4	91.2	7.7	83.5	65.1	52.2	12.9	57
Feb. ....	142.7	90.1	85.3	7.6	77.7	65.0	52.6	12.4	54
Mar. ....	135.1	82.8	79.7	7.9	71.8	63.3	52.3	11.0	53
Apr. ....	142.0	95.9	96.2	8.8	87.4	54.6	46.1	8.5	62
May .....									
June .....									
July .....									
Aug. ....									
Sept. ....									
Oct. ....									
Nov. ....									
Dec. ....									
Pork									
1970 .....	78.0	58.8	42.8	3.4	39.4	38.6	19.2	19.4	51
1971 .....	70.3	52.1	35.0	2.7	32.3	38.0	18.2	19.8	46
1972 .....	83.2	65.3	51.2	3.5	47.7	35.5	17.9	17.6	57
1973 .....	109.8	87.3	78.2	6.7	71.5	38.3	22.5	15.8	65
1974 .....	108.2	77.4	68.0	7.2	60.8	47.4	30.8	16.6	56
1975 .....	135.0	103.8	94.8	7.9	86.9	48.1	31.2	16.9	64
1972									
I .....	79.0	61.4	47.0	3.3	43.7	35.3	17.6	17.7	55
II .....	79.9	61.1	47.5	3.3	44.2	35.7	18.8	16.9	55
III .....	86.1	67.2	55.2	3.8	51.4	34.7	18.9	15.8	60
IV .....	87.7	71.6	55.3	3.7	51.6	36.1	16.1	20.0	59
1973									
I .....	98.1	80.1	68.4	4.9	63.5	34.6	18.0	16.6	65
II .....	103.1	79.4	70.8	6.0	64.8	38.3	23.7	14.6	63
III .....	121.8	101.7	94.8	8.7	86.1	35.7	20.1	15.6	71
IV .....	116.1	87.9	78.9	7.4	71.5	44.6	28.2	16.4	62
1974									
I .....	115.2	82.3	73.8	7.7	66.1	49.1	32.9	16.2	57
II .....	99.3	66.4	53.2	5.3	47.9	51.4	32.9	18.5	48
III .....	107.4	77.6	70.1	7.3	62.8	44.6	29.8	14.8	58
IV .....	111.0	83.5	75.0	8.4	66.6	44.4	27.5	16.9	60
1975									
I .....	114.4	85.7	75.6	7.3	68.3	46.1	28.7	17.4	60
II .....	123.1	96.7	88.9	7.4	81.5	41.6	26.4	15.2	66
III .....	149.2	118.9	114.0	9.7	104.3	44.9	30.3	14.6	70
IV .....	153.4	113.9	100.9	7.3	93.6	59.8	39.5	20.3	61
1976									
Jan. ....	144.2	103.3	93.4	6.0	87.4	56.8	40.9	15.9	61
Feb. ....	141.6	101.5	94.3	6.5	87.8	53.8	40.1	13.7	62
Mar. ....	138.7	96.2	90.1	6.2	83.9	54.8	42.5	12.3	60
Apr. ....	136.6	98.6	92.4	6.2	86.2	50.4	38.0	12.4	63
May .....									
June .....									
July .....									
Aug. ....									
Sept. ....									
Oct. ....									
Nov. ....									
Dec. ....									

<sup>1</sup> Estimated weighted average price of retail cuts. <sup>2</sup> For quantity equivalent to 1 lb. of retail cuts: Beef; 1.41 lb. of carcass beef; Pork; 1.07 lb. of wholesale cuts. <sup>3</sup> Payment to farmer for quantity of live animal equivalent to 1 lb. of retail

cuts: Beef, 2.28 lb.; Pork, 1.97 lb. <sup>4</sup> Portion of gross farm value attributed to edible and inedible byproducts. <sup>5</sup> Gross farm value minus byproduct allowance.





April before turning higher again. Mid-May Choice beef prices were near \$1.42 per pound—about 20 cents per pound below last July's record level.

#### Pork Prices Drop

January-March commercial pork production totaled 2.9 billion pounds, the lowest first quarter production in 10 years. Seasonal gains in production from last summer's lows, however, lowered retail pork prices about 13 percent between October 1975 peaks and April.

First quarter pork consumption was about 14 pounds per person, about a one-pound decline from a year earlier. The average composite retail price of pork in mid-May was near \$1.38 per pound, about 20 cents per pound below last October's record \$1.59 per pound but still 15 cents per pound over a year earlier. Increased pork production in prospect for the remainder of 1976 likely will keep retail pork prices trending generally lower.

#### Consumption Prospects

Increases in cattle feeding this year are offsetting declines in slaughter of cows and other nonfed cattle and raising average slaughter weights. Commercial beef production this year may reach a record 24.8 to 25 billion pounds, up around 5 percent from 1975. The increased production and a small increase in beef imports would raise per capita beef consumption to almost 125 pounds per person (carcass weight), a gain of 5 pounds from 1975's record level.

Pork consumption may also be up 2 to 3 pounds per person from 1975 if production increases 3 to 5 percent from 1975's 40-year low. Veal consumption may decline about a pound this year, while lamb and mutton consumption remains near 2 pounds per person. So if production meets expectations during the last half of the year, red meat consumption will total near 186-188 pounds per capita, up 5 to 7 pounds from 1975 and about the same as in 1974.

#### Meat Imports Up

Red meat imports during January-March totaled 615 million pounds (carcass weight equivalent), about a 2-percent increase over a year ago but about 13 percent more than October-December 1975. Increases in beef, veal, and lamb offset a small decline in pork imports.

First quarter beef imports totaled 484 million pounds, a 2-percent increase from a year earlier. Beef and veal imports from Australia and New Zealand were down from a year ago 22 and 6 percent, respectively, while imports from Canada and most South American countries increased. Even with reduced import levels, Australia and New Zealand accounted for about two-thirds of first quarter beef and veal imports.

USDA announced at the beginning of the year

Table 12—U.S. customs service monitoring of meat subject to the meat import law, 1976<sup>1</sup>

Country	January	February	March	April	Jan.-April
	Thousand pounds	Thousand pounds	Thousand pounds	Thousand pounds	Thousand pounds
Australia .....	74,190	44,963	64,988	42,776	226,917
Canada .....	880	4,193	14,590	6,605	26,268
Costa Rica .....	4,842	9,561	11,649	6,021	32,073
Dominican Republic ..	1,287	1,193	1,729	1,020	5,229
El Salvador .....	584	1,403	1,397	995	4,379
Guatemala .....	2,037	3,603	3,558	2,839	12,037
Haiti .....	192	111	117	200	620
Honduras .....	3,203	3,508	4,532	5,117	16,360
Ireland .....	593	352	1,702	649	3,296
Mexico .....	3,884	3,985	4,342	2,909	15,120
New Zealand .....	22,115	13,639	31,706	20,483	87,943
Nicaragua .....	3,127	4,787	5,952	4,541	18,407
Panama .....	683	909	1,179	588	3,359
Total <sup>3</sup> .....	117,617	92,207	147,444	94,743	452,008

<sup>1</sup> Fresh, frozen and chilled beef, veal, mutton and goat meat. Excludes canned meat and other prepared or preserved meat

products. <sup>2</sup>Through May 1, 1976. <sup>3</sup>May not add due to rounding.

**Table 13—Meat subject to U.S. import quota restriction: Product weight of imports by months, average 1959-63, 1964-76**

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>
1959-63 average	47.3	49.6	57.5	54.3	48.5	58.6	67.1	84.1	76.1	61.6	56.1	61.4	722.2
1964 .....	87.2	44.9	68.9	61.4	51.1	98.1	43.7	79.5	49.6	46.4	55.7	53.4	739.9
1965 .....	28.2	34.5	68.7	32.4	52.3	41.9	58.5	59.9	62.2	64.4	57.2	53.7	613.9
1966 .....	51.4	60.3	49.4	63.3	52.0	100.2	61.4	87.1	91.5	79.7	61.1	66.0	823.4
1967 .....	77.4	58.5	61.9	58.8	51.5	69.6	88.7	92.2	89.8	91.8	82.3	72.4	894.9
1968 .....	80.7	72.6	64.1	78.4	56.1	105.1	86.4	108.6	115.5	102.1	95.8	35.6	1,001.0
1969 <sup>1</sup> .....	41.9	50.4	136.1	90.0	80.5	85.7	107.1	141.8	121.4	108.4	51.4	69.4	1,084.1
1970 <sup>1</sup> .....	124.5	100.7	112.0	88.7	62.1	93.4	110.0	113.0	107.6	89.3	79.3	89.8	1,170.4
1971 <sup>1</sup> .....	83.4	65.1	88.3	86.2	76.8	101.0	94.4	104.9	158.6	80.4	63.2	130.3	1,132.6
1972 <sup>1</sup> .....	86.9	80.8	75.4	105.4	107.9	106.4	106.8	164.6	163.8	145.1	119.0	93.4	1,355.5
1973 <sup>1</sup> .....	106.2	98.4	88.3	97.9	113.1	91.5	106.0	153.7	110.3	149.9	130.0	110.3	1,355.6
1974 <sup>1</sup> .....	118.0	82.3	104.9	91.4	80.6	78.6	59.4	101.4	91.8	72.3	93.2	105.2	1,079.1
1975 .....	135.5	97.5	106.0	86.1	75.8	100.9	104.3	112.8	114.5	85.2	121.7	68.6	1,208.9
1976 .....	120.2	74.6	125.2	114.2									

<sup>1</sup> Rejections for calendar year 1969 equaled 13.5 million pounds, 17.4 million pounds for 1970, 21.0 million pounds for 1971, 17.8 million pounds for 1972, 18.4 million pounds for 1973, and 9.6 for 1974.

**Table 14—U.S. meat imports and exports and percentage comparisons (carcass weight), 1975 and 1976**

Months	Beef and veal			Lamb and mutton <sup>1</sup>			Pork			Total meat		
	1975	1976	Change	1975	1976	Change	1975	1976	Change	1975	1976	Change
	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Pct.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Pct.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Pct.</i>	<i>Mil. lb.</i>	<i>Mil. lb.</i>	<i>Pct.</i>
<b>IMPORTS</b>												
January .....	192	182	-5	1	2	+118	44	48	+9	237	232	-2
February .....	139	121	-13	2	3	+66	33	30	-9	174	154	-12
March .....	151	189	+26	2	2	+2	41	38	-8	194	229	+18
April .....	124	172	+38	3	2	-21	37	36	-4	164	210	+27
May .....	110			1			34			145		
June .....	146			2			31			179		
July .....	154			3			38			195		
August .....	167			4			26			197		
September .....	171			3			33			207		
October .....	137			2			39			178		
November .....	182			2			37			221		
December .....	109			2			36			147		
Total .....	1,782			27			429			2,238		
<b>EXPORTS</b>												
January .....	4.09	7.21	+77	0.39	0.24	-38	8.61	17.06	+98	13.09	24.51	+87
February .....	4.24	7.42	+75	.26	.29	+14	10.64	26.43	+148	15.14	34.14	+126
March .....	4.01	8.09	+101	.39	.38	-1	24.88	38.30	+54	29.28	46.77	+83
April .....	4.33	7.00	+62	.37	.39	+6	10.68	22.00	+106	15.38	29.39	+91
May .....	3.34			.40			13.42			17.16		
June .....	2.92			.29			19.18			22.39		
July .....	2.97			.37			23.74			27.08		
August .....	3.84			.26			22.18			26.28		
September .....	3.04			.28			18.99			22.31		
October .....	5.29			.37			17.14			22.80		
November .....	7.74			.27			19.36			27.37		
December .....	7.62			.29			22.25			30.16		
Total .....	53.43			3.94			211.07			268.44		

<sup>1</sup> Includes goat meat.

that a beef import restraint program was being negotiated, with major supplying countries to hold meat imports subject to quota law below the trigger level of 1,233 million pounds during 1976. Relaxation of trade barriers between the United States and Canada will allow unrestricted imports of Canadian beef this year, with the balance of imports subject to the quota law below the trigger level to be allocated to all other countries.

In April, USDA and the Department of State asked the U.S. Customs Service to monitor calendar year 1976 imports of meat subject to the 1964 meat import law. Since Customs data are more timely, these reports will serve as the basis for monitoring imports of meat subject to the law, rather than the information previously supplied by the Bureau of the Census.

The new system will enable USDA to determine more promptly the volume of meat entering some 300 ports at the rate of 1,600 individual entries per month. Customs officers will report on a weekly basis entries for consumption and withdrawals from warehouses for consumption of fresh, chilled, or frozen beef, veal, mutton, and goat meat. These statistics, by country, will be available to USDA no later than Friday of each week for the period ending 2 weeks prior. Weekly totals for individual countries will be available upon request from the Dairy, Livestock, and Poultry Division, Foreign Agricultural Service.

Customs monitoring data through May 1 are shown in the following table. The 452 million pounds imported through April account for about 37 percent of the 1976 trigger level.

Table 15—Canned Meat: Supply and distribution, 1960 to date

Year	Federally inspected production <sup>1</sup>	Imports		Beginning stocks <sup>4</sup>	Commercial exports and shipments <sup>5</sup>	Ending stocks <sup>4</sup>	Domestic disappearance		
		Canned beef <sup>2</sup>	Canned pork <sup>3</sup>				Military <sup>6</sup>	Civilian <sup>7 9</sup>	Per capita <sup>8 9</sup>
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Pounds
1960 .....	1,754	77	127	53	23	57	11	1,920	10.8
1961 .....	1,896	95	125	57	21	56	21	2,075	11.5
1962 .....	1,980	84	158	56	17	59	27	2,175	11.8
1963 .....	2,058	112	151	59	18	70	92	2,200	11.8
1964 .....	2,217	79	146	70	20	76	89	2,327	12.3
1965 .....	2,104	91	178	76	44	51	159	2,195	11.5
1966 .....	2,254	90	233	51	44	53	136	2,395	12.4
1967 .....	2,299	98	252	53	45	57	135	2,395	12.6
1968 .....	2,420	118	268	57	51	51	185	2,465	13.1
1969 .....	2,605	117	264	51	45	47	115	2,830	14.3
1970 .....	2,577	119	285	47	27	57	92	2,852	14.1
1971 .....	2,752	91	288	57	24	72	123	2,969	14.5
1972 .....	2,576	100	320	72	59	61	65	2,883	14.0
1973 .....	2,580	94	327	61	51	69	40	2,902	13.9
1974 .....	2,470	94	306	69	56	67	41	2,775	13.2
1975 .....	2,262	64	289	67	45	54	45	2,538	12.0

<sup>1</sup> Beef, pork sausage, all other, excluding soup. Data from Meat Inspection Division, APHIS. <sup>2</sup> Data from Bureau of the Census. <sup>3</sup> Federally inspected for entry. Data from meat inspection Division, APHIS. Beginning in 1967 data from Bureau of the Census. <sup>4</sup> Refrigerated stocks only. <sup>5</sup> Includes shipments to territories. Data from Bureau of the Census. <sup>6</sup> From Statistical

Yearbook of the Quartermaster Corps and other military records. <sup>7</sup> Calculated from federally inspected supplies and distribution as shown. Federally inspected production is the largest part of total U.S. production of canned meat. <sup>8</sup> Civilian per capita. <sup>9</sup> Includes canned meat bought by the Department of Agriculture for school lunches and eligible institutions.

Table 16—Edible offals: Supply and distribution, 1960 to date

Year	Supply				Distribution				
	Total production <sup>1</sup>	Beginning commercial stocks <sup>2</sup>	Imports	Total	Ending commercial stock <sup>5</sup>	Commercial exports <sup>3</sup>	Domestic disappearance		
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Pounds
1960 .....	1,924	---	2	1,926	---	118	---	1,808	10.1
1961 .....	1,945	---	2	1,947	---	123	---	1,824	10.1
1962 .....	1,969	---	3	1,972	---	124	---	1,848	10.1
1963 .....	2,074	---	3	2,077	---	158	---	1,919	10.3
1964 .....	2,219	---	1	2,220	---	229	---	1,991	10.5
1965 .....	2,143	---	2	2,145	---	226	7	1,912	10.0
1966 .....	2,212	---	3	2,215	---	219	9	1,987	10.3
1967 .....	2,315	---	4	2,319	---	226	8	2,085	10.7
1968 .....	2,383	---	4	2,387	---	232	6	2,149	10.9
1969 .....	2,385	---	6	2,391	---	247	4	2,140	10.7
1970 .....	2,444	---	10	2,454	---	250	3	2,201	10.9
1971 .....	2,545	---	7	2,552	---	289	2	2,261	11.1
1972 .....	2,493	---	8	2,501	---	296	2	2,203	10.7
1973 .....	2,344	---	7	2,351	---	301	2	2,048	9.8
1974 .....	2,551	---	6	2,557	---	312	2	2,243	10.7
1975 .....	2,491	---	6	2,497	---	306	2	2,189	10.4

<sup>1</sup> Production of offals based on percentage of carcass-weight meat production, including farm: beef 6.7, veal 10.7, lamb and mutton 5.1, pork excluding lard 6.7 percent. <sup>2</sup> Not reported.

Assumed no change in stocks during the year. <sup>3</sup> Beginning 1965 includes shipments to territories. <sup>4</sup> Civilian per capita.



## Supply and distribution of commercially produced meat, by months, carcass weight

Meat and period	Supply				Distribution			
	Production	Beginning stocks	Imports	Exports and shipments	Ending stocks	Military	Civilian consumption	
							Total	Per person <sup>2</sup>
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Pounds
<b>Beef:</b>								
<b>1975</b>								
March .....	1,891	386	149	8	385	17	2,016	9.6
April .....	1,895	385	123	8	349	24	2,022	9.6
May .....	1,849	349	109	9	309	24	1,965	9.3
June .....	1,849	309	145	8	288	35	1,972	9.3
July .....	1,916	288	153	7	269	17	2,064	9.8
August .....	1,961	269	166	10	258	25	2,103	9.9
September .....	2,065	258	169	9	254	30	2,199	10.4
October .....	2,270	254	135	8	272	28	2,351	11.1
November .....	1,970	272	177	14	320	22	2,063	9.7
December .....	2,056	320	106	11	350	20	2,101	9.9
<b>1976</b>								
January .....	2,207	350	178	12	350	19	2,354	11.1
February .....	1,966	350	119	12	362	29	2,032	9.6
March .....	2,318	362	187	15	395	16	2,441	11.5
April .....	2,017	395	171		394			
<b>Veal:</b>								
<b>1975</b>								
March .....	57	14	2	1	13	1	58	.3
April .....	60	13	1	2	11	1	60	.3
May .....	59	11	1	1	11	1	58	.3
June .....	63	11	1	1	9	( <sup>3</sup> )	65	.3
July .....	77	9	1	1	8	1	77	.4
August .....	73	8	1	2	9	1	70	.3
September .....	82	9	2	1	8	1	83	.4
October .....	95	8	2		9	1	93	.4
November .....	76	9	5	( <sup>3</sup> )	10	1	79	.4
December .....	76	10	3	1	11	1	76	.3
<b>1976</b>								
January .....	73	11	4	1	11	1	75	.4
February .....	62	11	2	1	10	1	63	.3
March .....	71	10	2	1	9	1	72	.3
April .....	59	9	1	1	9			
<b>Lamb &amp; Mutton:</b>								
<b>1975</b>								
March .....	35	11	2	( <sup>3</sup> )	9	( <sup>3</sup> )	39	.2
April .....	34	9	3	( <sup>3</sup> )	10	( <sup>3</sup> )	36	.2
May .....	31	10	1	1	9	( <sup>3</sup> )	32	.2
June .....	31	9	2	1	7	( <sup>3</sup> )	34	.1
July .....	32	7	3	1	9	( <sup>3</sup> )	32	.1
August .....	32	9	4	1	10	( <sup>3</sup> )	34	.2
September .....	40	10	3	1	11	( <sup>3</sup> )	41	.2
October .....	38	11	2	1	11	( <sup>3</sup> )	39	.2
November .....	28	11	2	( <sup>3</sup> )	12	( <sup>3</sup> )	27	.1
December .....	32	12	2	( <sup>3</sup> )	12	( <sup>3</sup> )	34	.2
<b>1976</b>								
January .....	33	12	2	( <sup>3</sup> )	11	( <sup>3</sup> )	35	.2
February .....	29	11	3	( <sup>3</sup> )	11	( <sup>3</sup> )	32	.1
March .....	33	11	2	1	9	( <sup>3</sup> )	36	.2
April .....	32	9	2		9			
<b>Pork:</b>								
<b>1975</b>								
March .....	976	300	41	30	299	6	982	4.6
April .....	1,100	299	37	18	345	9	1,064	5.0
May .....	934	345	34	22	324	10	957	4.5
June .....	889	324	31	30	284	11	919	4.4
July .....	817	284	38	31	230	8	870	4.1
August .....	794	230	26	31	186	13	820	3.9
September .....	901	186	33	26	190	11	893	4.2
October .....	936	190	37	24	222	11	908	4.3
November .....	904	222	31	31	269	5	858	4.0
December .....	995	269	36	33	249	7	1,011	4.8
<b>1976</b>								
January .....	953	249	48	23	236	7	984	4.6
February .....	850	236	30	32	222	9	853	4.0
March .....	1,092	222	38	50	248	5	1,049	4.9
April .....	1,003	248	36		262			
<b>Total Meat:</b>								
<b>1975</b>								
March .....	2,959	711	194	39	706	24	3,095	14.7
April .....	3,089	706	164	28	715	34	3,182	15.1
May .....	2,873	715	145	33	653	35	3,012	14.3
June .....	2,832	653	179	40	588	46	2,990	14.1
July .....	2,842	588	195	40	516	26	3,043	14.4
August .....	2,860	516	197	44	463	39	3,027	14.3
September .....	3,088	463	207	37	463	42	3,216	15.2
October .....	3,339	463	178	35	514	40	3,391	16.0
November .....	2,978	514	221	46	611	29	3,027	14.2
December .....	3,159	611	147	45	622	28	3,222	15.2
<b>1976</b>								
January .....	3,266	622	232	37	608	27	3,448	16.3
February .....	2,907	608	154	45	605	39	2,980	14.0
March .....	3,514	605	229	67	661	22	3,598	16.9
April .....	3,111	661	210		674			

<sup>1</sup> Excludes production from farm slaughter. <sup>2</sup> Derived from estimates by months of population eating out of civilian food supplies. <sup>3</sup> Less than 500,000 lb.

**Selected price statistics for meat animals and meat**

Item	1975					1976				
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May
<i>Dollars per 100 pounds</i>										
<b>SLAUGHTER STEERS:</b>										
Omaha:										
Choice, 900-1100 lb. ....	46.80	48.91	47.90	45.23	45.01	41.18	38.80	36.14	43.12	40.62
Good, 900-1100 lb. ....	39.52	41.09	41.39	41.19	40.65	37.75	36.14	33.77	39.78	38.26
California, Choice 900-1100 lb. ....	45.75	—	45.58	45.56	47.25	41.06	39.62	37.75	45.69	41.94
Colorado, Choice 900-1100 lb. ....	46.48	48.99	47.79	45.58	45.81	41.22	38.87	35.35	44.74	40.97
Texas, Choice 900-1100 lb. ....	47.05	49.32	47.94	46.16	47.50	41.38	38.96	35.88	45.10	41.49
Cows:										
Omaha:										
Commercial .....	21.99	23.45	23.45	21.91	23.01	24.42	27.11	28.31	30.86	30.69
Utility .....	21.29	22.45	22.01	20.73	21.64	23.26	25.90	27.45	30.72	30.24
Cutter .....	18.84	19.64	18.70	18.30	19.47	20.89	23.62	25.09	27.58	24.95
Canner .....	16.72	17.02	15.66	15.34	16.95	18.45	20.25	21.80	24.31	27.60
Vealers, Choice, S. St. Paul .....	37.10	36.57	42.52	43.95	43.52	51.90	50.05	50.58	49.49	44.95
<b>FEEDER STEERS:</b>										
Kansas City:										
Choice, 400-500 lb. ....	31.70	35.15	36.04	36.26	35.94	37.47	41.40	44.01	47.01	47.58
Choice, 600-700 lb. ....	34.34	37.59	38.09	38.26	37.83	37.46	40.42	39.69	44.62	44.21
Good, 600-700 lb. ....	29.15	33.48	33.10	32.14	31.50	31.45	35.92	36.28	40.81	41.05
All weights and grades .....	32.93	35.98	36.74	36.77	37.79	36.66	36.95	38.82	43.85	42.38
Amarillo:										
Choice, 600-700 lb. ....	34.18	37.11	36.15	37.75	39.40	37.67	40.40	39.24	44.29	42.25
Good, 600-700 lb. ....	23.12	28.62	30.08	30.88	31.19	28.38	33.27	31.16	—	—
Georgia Auctions:										
Choice, 600-700 lb. ....	28.06	30.56	30.65	32.00	34.17	33.00	35.75	36.15	39.75	38.75
Good, 400-500 lb. ....	22.50	24.38	24.25	25.94	27.67	27.75	31.19	32.90	36.75	35.50
<b>SLAUGHTER HOGS:</b>										
Barrows and Gilts:										
Omaha:										
Nos. 1 & 2, 200-220 lb. ....	58.73	61.26	59.72	51.68	50.28	50.34	49.70	47.23	48.87	49.78
Nos. 1 & 2, 220-240 lb. ....	58.89	61.30	59.77	51.63	50.20	50.24	49.68	47.23	48.86	49.78
All weights .....	57.88	61.11	58.20	49.50	47.46	47.81	48.43	46.40	47.48	48.50
Sioux City .....	58.12	61.19	58.76	49.78	48.36	48.06	48.92	46.50	48.06	48.96
7 markets <sup>1</sup> .....	58.10	61.23	58.52	49.74	48.33	48.40	48.85	46.71	47.89	48.89
Sows:										
7 markets <sup>1</sup> .....	51.89	54.56	51.94	42.25	38.50	40.48	44.03	42.24	42.88	43.20
<b>FEEDER PIGS:</b>										
No. 1 & 2, So. Mo., 40-50 lb. (per hd.) ...	46.75	59.81	56.55	48.92	44.19	48.38	50.16	48.80	51.28	44.57
<b>SHEEP AND LAMBS:</b>										
Slaughter:										
Lambs, Choice, San Angelo .....	40.75	43.50	44.50	46.83	48.75	49.25	49.00	56.25	62.95	62.12
Lambs, Choice, So. St. Paul .....	39.91	42.14	43.14	43.58	46.19	46.94	46.56	50.92	55.77	61.15
Ewes, Good, San Angelo .....	13.44	12.94	12.35	14.83	17.44	17.75	16.12	18.90	18.44	19.75
Ewes, Good, So. St. Paul .....	8.15	8.75	8.93	8.00	9.46	12.20	12.50	12.81	13.42	13.12
Feeder Lambs:										
Choice, San Angelo .....	38.75	41.25	42.62	46.33	48.38	48.38	49.69	56.30	62.71	59.75
Choice, So. St. Paul .....	35.52	36.63	41.70	43.58	46.11	47.18	46.00	50.21	52.39	53.72
<b>FARM PRICES:</b>										
Beef cattle: .....	32.30	34.00	33.40	32.30	33.50	33.50	34.20	33.60	37.90	36.90
Calves .....	25.40	26.90	26.60	28.30	30.00	31.40	34.40	35.30	38.00	38.80
Hogs .....	56.10	58.60	58.30	49.10	47.50	47.50	47.90	45.50	47.00	47.50
Sheep .....	10.80	11.30	10.80	10.80	11.80	12.20	12.50	13.40	15.00	14.50
Lambs .....	39.90	40.50	42.60	44.20	46.30	47.70	46.80	49.70	54.60	60.30
<b>MEAT PRICES:</b>										
Wholesale:										
Midwest Markets: <sup>2</sup>										
Steer beef, Choice, 600-700 lb. ....	77.95	79.66	75.62	72.98	73.25	66.68	62.22	56.97	65.85	63.56
Heifer beef, Choice, 500-600 lb. ....	76.20	77.40	73.66	71.79	70.69	64.68	60.29	56.01	64.44	62.89
Cow beef, Canner and Cutter .....	43.67	45.40	44.10	43.40	44.61	49.12	53.25	56.44	60.48	59.12
Pork loins, 8-14 lb. ....	105.51	110.67	109.22	99.12	90.46	97.80	95.36	85.25	37.60	94.67
Pork bellies, 12-14 lb. ....	105.46	103.48	91.44	78.32	69.13	75.06	67.37	67.42	73.62	73.04
Hams, skinned, 14-17 lb. ....	91.08	99.08	105.70	101.04	101.81	83.43	80.68	85.48	84.19	82.86
East Coast:										
Steer beef, Choice 600-700 lb. ....	80.09	82.40	79.09	76.13	76.96	69.98	65.14	60.04	69.28	66.72
Lamb, Choice and Prime, 35-45 lb. ....	91.67	92.36	95.40	99.38	102.34	102.81	102.62	107.57	120.69	126.81
Lamb, Choice and Prime, 55-65 lb. ....	91.67	92.36	95.20	98.19	99.48	98.00	98.33	104.39	121.00	125.69
West Coast:										
Steer Beef, Choice, 600-700 lb. ....	81.26	82.80	79.63	75.45	77.61	71.84	66.22	61.33	72.08	67.42
Retail:										
Beef, Choice .....	155.5	152.8	152.4	151.2	150.6	148.6	142.7	135.1	142.0	
Veal .....	181.6	178.2	176.8	176.7	177.4	177.4	173.7	173.2	171.5	
Pork .....	150.2	153.8	158.7	154.0	147.5	144.2	141.6	138.7	136.6	
Lamb .....	173.5	175.7	175.0	176.5	177.0	178.3	178.1	181.4	183.4	
Price Indexes (BLS, 1967=100)										
Wholesale meat .....	203.4	209.3	209.1	198.3	196.0	190.4	180.3	171.7	183.5	
Retail meat .....	190.4	190.5	194.3	192.4	189.8	186.8	182.8	179.6	176.6	
Beef and veal .....	182.5	176.7	178.3	175.3	174.7	174.9	168.3	164.7	160.8	
Pork .....	214.3	222.4	230.9	227.5	219.6	210.1	205.4	204.3	200.0	
Other meats .....	174.5	176.0	178.3	180.7	181.2	180.3	178.8	177.7	178.4	
<b>LIVESTOCK-FEED RATIOS, OMAHA<sup>3</sup></b>										
Beef steer-corn .....	15.0	16.6	17.4	17.7	17.6	16.0	14.9	13.8	16.6	14.8
Hog-corn .....	18.6	20.7	21.2	19.4	18.5	18.6	18.6	17.8	18.3	17.7

<sup>1</sup> St. Louis N.S.Y., Kansas City, Omaha, Sioux City, S. St. Joseph, S. St. Paul, and Indianapolis. <sup>2</sup> Prior to Oct., 1975, Chicago Market. <sup>3</sup> Bushels of No. 2 Yellow Corn equivalent in value of 100 pounds liveweight.

**Selected marketings, slaughter and stock statistics for meat animals and meat**

Item	Unit	1975						1976			
		July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
FEDERALLY INSPECTED:											
Slaughter:											
Cattle .....	1,000 head	3,085	3,141	3,319	3,584	3,116	3,267	3,403	3,032	3,492	3,053
Steers .....	1,000 head	1,332	1,308	1,286	1,287	1,133	1,229	1,350	1,306	1,612	1,370
Heifers .....	1,000 head	741	817	948	993	815	834	969	899	1,074	911
Cows .....	1,000 head	912	923	991	1,198	1,081	1,123	1,009	760	731	697
Bulls and stags .....	1,000 head	99	93	94	105	87	82	75	67	75	75
Calves .....	1,000 head	344	345	385	443	357	381	369	327	415	353
Sheep and lambs .....	1,000 head	635	621	758	701	515	584	582	513	570	561
Hogs .....	1,000 head	4,657	4,627	5,217	5,379	5,085	5,508	5,400	4,873	6,325	5,827
Percentage sows .....	Percent	7	7	6	5	6	6	5	4	4	4
Average live weight per head											
Cattle .....	Pounds	983	981	987	997	1,000	1,008	1,020	1,026	1,034	1,031
Calves .....	Pounds	237	225	224	233	232	227	232	215	204	206
Sheep and lambs .....	Pounds	101	102	104	108	108	109	110	111	112	110
Hogs .....	Pounds	241	237	238	240	246	246	243	236	236	236
Average dressed weight											
Beef .....	Pounds	571	574	571	579	578	576	597	598	616	610
Veal .....	Pounds	133	126	132	130	130	126	130	123	116	117
Lamb and mutton .....	Pounds	49	50	51	52	53	54	56	56	56	54
Pork .....	Pounds	166	164	165	167	170	172	168	167	166	186
Lard .....	Pounds	14	14	14	14	16	15	16	13	14	14
Production:											
Beef .....	Mil. lb.	1,756	1,798	1,890	2,069	1,796	1,874	2,024	1,808	2,145	1,857
Veal .....	Mil. lb.	45	43	48	57	46	48	48	40	48	41
Lamb and mutton .....	Mil. lb.	31	31	38	36	27	31	32	28	32	30
Pork .....	Mil. lb.	773	755	861	896	864	943	906	903	1,174	1,080
Lard .....	Mil. lb.	64	64	72	75	81	81	84	64	87	82
COMMERCIAL:											
Slaughter: <sup>1</sup>											
Cattle .....	1,000 head	3,401	3,467	3,671	3,987	3,470	3,632	3,762	3,336	3,813	3,354
Calves .....	1,000 head	468	466	515	591	475	489	466	408	496	419
Sheep and lambs .....	1,000 head	658	648	785	732	536	607	601	528	587	590
Hogs .....	1,000 head	4,956	4,883	5,468	5,637	5,337	5,839	5,698	5,122	6,612	6,087
Production:											
Beef .....	Mil. lb.	1,916	1,961	2,065	2,270	1,970	2,056	2,207	1,966	2,318	2,017
Veal .....	Mil. lb.	77	73	82	95	76	76	73	62	71	59
Lamb and mutton .....	Mil. lb.	32	32	40	38	28	32	33	29	33	32
Pork .....	Mil. lb.	817	794	901	936	904	995	953	850	1,092	1,003
Lard .....	Mil. lb.	68	67	75	78	83	84	87	67	90	85
COLD STORAGE STOCKS FIRST OF MONTH:											
Beef .....	Mil. lb.	288	269	258	254	272	320	350	350	362	395
Veal .....	Mil. lb.	9	8	9	8	9	10	11	11	10	9
Lamb and mutton .....	Mil. lb.	7	9	10	11	11	12	12	11	11	9
Pork .....	Mil. lb.	284	230	186	190	222	269	249	236	222	248
Total meat and meat products <sup>2</sup> .....	Mil. lb.	654	578	518	518	571	668	675	672	677	727
FOREIGN TRADE:											
Imports: (carcass weight)											
Beef and veal .....	Mil. lb.	154	167	171	137	182	109	182	121	189	172
Pork .....	Mil. lb.	38	26	33	39	37	36	48	30	38	36
Lamb and mutton .....	Mil. lb.	3	4	3	2	2	2	2	3	2	2
Exports: (carcass weight)											
Beef and veal .....	Mil. lb.	2.97	3.84	3.04	5.29	7.74	7.62	7.21	7.42	8.09	7.00
Pork .....	Mil. lb.	23.74	22.18	18.99	17.14	19.36	22.25	17.06	26.43	38.30	22.00
Lamb and mutton .....	Mil. lb.	.37	.26	.28	.37	.27	.30	.24	.29	.38	.39
Live animal imports:											
Cattle .....	Number	18,801	5,110	25,861	41,724	82,096	133,704	90,507	52,135	69,417	78,492
Hogs .....	Number	48	2,574	4,506	4,629	3,186	2,566	2,221	1,911	3,776	4,637
Sheep and lambs .....	Number	22	795	737	866	790	74	932	153	91	0
Live animal exports:											
Cattle .....	Number	18,348	9,873	13,898	16,826	19,585	15,822	12,263	13,356	33,859	12,643
Hogs .....	Number	2,647	758	799	1,015	1,731	1,106	306	517	1,477	1,174
Sheep and lambs .....	Number	36,656	30,719	17,518	14,373	9,859	29,680	13,346	6,805	19,409	26,640

<sup>1</sup> Federally inspected and other commercial. <sup>2</sup> Includes stocks of canned meats in cooler in addition to the meats listed.



## CAPITAL FLOWS IN THE CATTLE FEEDING INDUSTRY

by  
J. Bruce Hottel and J. Rod Martin<sup>1</sup>

**ABSTRACT:** This analysis indicates that, due to the heavy drawdown on equity capital of cattle feeders, the industry could still face serious adjustment problems in the event good profits are not forthcoming in the last half of 1976 and first part of 1977. However, several different types of adjustments have occurred to adapt the industry to increasing risks and replace some of the equity losses since 1974, and cattle feeding will remain an important part of the beef industry.

**KEYWORDS:** Cattle feeding, equity and debt capital, net income.

Recent heavy losses in cattle feeding have raised questions about the industry's economic resiliency and capital acquisition problems. Price changes since the first quarter of 1975 brought welcome profits and some sign of relief. However, due to the heavy drawdown on equity capital reserves of cattle feeders, the industry could still face serious adjustment problems in the event good profits are not forthcoming in the last half of 1976 and first part of 1977.

This article attempts to measure internal sources of capital and analyze the use of debt and equity capital associated with cattle feeding since 1970 in the 23 States which supply quarterly data on placements and marketings. These States normally account for over 90 percent of fed cattle marketings. Estimates are made of receipts from fed cattle sales, the costs associated with cattle sold, net earnings, money borrowed and repaid, and the level of debt and equity from 1970 through the first quarter of 1976. Tentative projections are made for the second quarter of 1976. Several simplifying assumptions were made pertaining to costs, capital requirements, and returns in order to complete the analysis. These assumptions are indicated in the footnotes and technical note section and draw, in part, on the work of Scofield (1).

Capital requirements associated with beef production in feedlots are high in relation to many

other agricultural production subsectors. On an annual basis, operating costs of feedlots in 23 states for feeder calves, feed, and other operating expenses since 1970 have ranged from \$7.4 billion to \$12.6 billion. During 1975, these expenses were \$9.5 billion and are estimated at near this same level in 1976. A high proportion of the total costs are normally financed and represent relatively short-term, rapid turnover debt funds. Thus, the heavy income losses by the industry from late 1973 through early 1975 and again in early 1976 have been a severe shock to the feeding industry and have led to some capital acquisition problems.

A close monitoring of the profitability and capital needs of the industry is important beyond those directly involved in cattle feeding because it affects the general supply of loan funds to other agricultural subsectors. Based on this analysis, changes in the volume of debt funds for cattle feeding are quite volatile from quarter to quarter. During 1975, these changes were estimated to represent from 15 to 20 percent of the total volume of changes in non-real estate debt for the entire farming sector.

The total capital needs of the industry have changed somewhat as the number of cattle fed and prices have changed since 1970. After several years of generally favorable earnings and a record buildup in feedlot capacity and number of cattle fed, the losses from late 1973 through early 1975—due primarily to increased feed grain prices—resulted in a decrease in cattle fed. Cattle on feed dropped from a record 13.9 million head on Jan-

<sup>1</sup>Agricultural Economists, National Economic Analysis Division, Economic Research Service, stationed in the Department of Agricultural Economics, Texas A&M University.



Table 1—Cattle feeding: Estimated cash receipts, cost of goods sold, and net income, 23 States

Year and quarter	Cattle marketed 23 states	Gross receipts <sup>a</sup>	Operating costs of goods <sup>b</sup>				Cost of fixed investments <sup>c</sup>	Net Income	Accumulative net income <sup>d</sup>
			Calves	Feeding expenses	Interest charges	Total operating			
	Thousand head	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
1970									
1st .....	6,148	1,908	1,027	658	42	1,727	16	165	165
2nd .....	6,219	1,975	1,043	684	43	1,770	16	189	354
3rd .....	6,302	1,994	1,110	732	48	1,890	16	88	442
4th .....	6,215	1,795	1,155	797	53	2,005	15	-227	215
1971									
1st .....	6,231	2,032	1,138	829	53	2,020	15	-3	212
2nd .....	6,278	2,145	1,049	861	52	1,962	15	168	380
3rd .....	6,594	2,265	1,138	959	52	2,149	15	101	481
4th .....	6,178	2,158	1,106	760	42	1,908	15	235	716
1972									
1st .....	6,443	2,438	1,161	743	41	1,945	15	478	1,194
2nd .....	6,727	2,546	1,271	708	43	2,022	15	509	1,703
3rd .....	6,907	2,630	1,375	778	47	2,200	15	415	2,118
4th .....	6,775	2,498	1,442	807	51	2,300	15	183	2,301
1973									
1st .....	6,585	2,992	1,452	849	51	2,352	15	625	2,926
2nd .....	6,283	3,024	1,424	804	50	2,278	15	731	3,657
3rd .....	5,958	3,039	1,557	1,004	59	2,620	15	404	4,061
4th .....	6,478	2,753	1,838	1,201	73	3,112	15	-374	3,687
1974									
1st .....	5,999	2,864	1,833	1,568	81	3,482	14	-632	3,055
2nd .....	6,271	2,634	1,616	1,567	70	3,253	14	-633	2,422
3rd .....	5,522	2,545	1,378	1,516	64	2,958	13	-426	1,996
4th .....	5,538	2,221	1,150	1,655	60	2,865	14	-442	1,554
1975									
1st .....	5,512	2,067	902	1,914	58	2,874	13	-820	734
2nd .....	5,028	2,536	649	15,67	45	2,261	13	262	996
3rd .....	5,014	2,561	618	1,448	43	2,109	13	439	1,435
4th .....	4,940	2,389	770	1,416	49	2,235	13	141	1,576
1976									
1st .....	6,350	2,574	966	1,757	52	2,775	12	-213	1,363
2nd <sup>e</sup> .....	6,282	2,968	1,047	1,573	55	2,675	12	281	1,644

<sup>1a</sup> Fat cattle are assumed marketed at 1,050 lb. Prices for fat cattle are based on quarterly average for choice 900-1,100 lb. steers at Omaha. <sup>b</sup> Costs based on prices paid for feeder steers two quarters prior to quarter marketed and feed prices during fattening period. Feeder calves are bought at 450 lb. and prices are based on quarterly averages for 400-500 lb. Choice steers in Kansas City. Cattle are assumed to gain 644 lb. (600 lb. net gain

plus 44 lb. shrink—4%). Number of head purchased assumed to be two percent more than number sold to allow for death loss. Interest charges based on debt funds outstanding items Production Credit Association average interest rates. <sup>c</sup> Includes interest expenses on long term investment times debt and depreciation on long term fixed capital. <sup>d</sup> At end of quarter. <sup>e</sup> Forecast.

uary 1, 1973, to 8.5 million head on April 1, 1975. The number has trended upward each quarter since mid-1975, but the 12.3 million head on feed on January 1, 1976, was still well below the 1973 peak.

Quarterly costs for feeder calves, feed, and other operating expenses reached an estimated \$3.5 billion in early 1974, but due primarily to the sharp drop in feedlot placements and lower costs, these expenditures decreased to near \$2.1 billion by the third quarter of 1975 (table 1). Since that time, total costs have increased primarily because of larger numbers of cattle placed on feed. By the

second quarter of 1976, these costs are estimated to be \$2.7 billion. Total debt outstanding for cattle feeding reached an estimated \$5.9 billion in late 1973 but decreased to about one-half this level by mid-1975. By the second quarter of 1976, debt outstanding is expected to be near \$3.5 billion (table 2).

Losses within the industry since 1970 have reduced the level of accumulative net income which dropped from a peak of \$4.1 billion during 1973 to less than \$1.0 billion in 1975. These accumulated earnings are estimated to be up slightly to about \$1.6 billion by the end of the second quarter in

Table 2—Cattle feeding: Estimated debt and equity account, 23 States

Year and quarter	Cattle placed on feed 23 states	Operating Capital Debt				Investment capital debt <sup>d</sup>	Total outstanding debt	Minimum equity to support debt outstanding <sup>e</sup>
		Debt for place-ments <sup>a</sup>	Repayment of debt <sup>b</sup>	Change in debt	Outstanding debt			
	Thousand head	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
1969 Initial								
4th .....					2,592 <sup>c</sup>	427	3,019	802
1970								
1st .....	5,119	1,181	1,326	-145	2,447	420	2,867	762
2nd .....	5,242	1,306	1,362	-56	2,391	412	2,803	746
3rd .....	6,088	1,533	1,454	79	2,470	405	2,875	719
4th .....	8,000	1,965	1,548	418	2,888	398	3,286	770
1971								
1st .....	5,734	1,477	1,569	-92	2,796	390	3,186	748
2nd .....	5,455	1,305	1,543	-238	2,558	382	2,940	782
3rd .....	6,371	1,462	1,699	-237	2,321	374	2,695	716
4th .....	8,842	2,016	1,478	538	2,859	366	3,225	909
1972								
1st .....	5,933	1,436	1,497	-61	2,798	381	3,179	896
2nd .....	6,364	1,639	1,534	105	2,903	372	3,275	924
3rd .....	6,224	1,694	1,672	22	2,925	363	3,288	927
4th .....	8,862	2,540	1,745	795	3,720	353	4,073	956
1973								
1st .....	6,040	2,122	1,792	330	4,050	362	4,412	968
2nd .....	5,696	2,187	1,801	386	4,436	352	4,788	1,051
3rd .....	5,283	2,510	2,093	417	4,853	341	5,194	989
4th .....	7,491	3,223	2,487	736	5,589	331	5,920	1,044
1974								
1st .....	5,242	2,290	2,851	-561	5,028	320	5,348	1,096
2nd .....	4,008	1,320	2,698	-1,378	3,650	309	3,959	2,131
3rd .....	4,627	1,537	2,412	-875	2,775	298	3,073	1,654
4th .....	6,005	1,720	1,823	103	2,878	286	3,164	1,704
1975								
1st .....	4,366	1,169	1,831	-662	2,216	274	2,490	1,341
2nd .....	5,097	1,467	1,440	-27	2,189	272	2,461	1,326
3rd .....	5,773	1,609	1,340	266	2,455	250	2,705	1,457
4th .....	7,935	2,316	1,421	895	3,350	237	3,587	1,538
1976								
1st .....	4,926	1,537	1,770	-233	3,317	224	3,341	1,432
2nd <sup>f</sup> .....	5,295	1,723	1,834	111	3,238	221	3,449	1,473

<sup>a</sup>Estimated debt incurred on cattle and feed from 450 lb. initial weight to 1,050 lb. <sup>b</sup>Estimated debt incurred on cattle marketed and paid off from marketing proceeds. <sup>c</sup>The cost basis of 12,644,000 head of cattle on feed at the end of 1969 was estimated at \$3,456 million with estimated outstanding debt of \$2,592 million or debt at 75% of the value of animals on feed.

<sup>d</sup>Based on a 3:1 debt leverage for capital investments of \$45 per head capacity in pens, land, feeding facilities, equipment, etc. amortized over 10 years at 9 percent. <sup>e</sup>Minimum equity requirements by major lenders; based on the margin required on new loans for calves and feed during the quarter which margin is assumed to apply to all outstanding operating loans. <sup>f</sup>Forecast.

1976, but this is still substantially below the peak 1973 level (table 1).

Since 1970, there have been periodic substantial changes in the equity capital needed to support debt. Minimum equity requirements are estimated to have increased from \$0.7 billion in early 1970 to a high of \$2.1 billion in mid-1974. By early 1975, they were down to about \$1.5 billion as the total debt was reduced substantially (table 3). The increase in equity requirements during 1970 and 1971, which occurred in close connection with some losses in net income, may have led some feedlot owners to seek new sources of equity capital. In

any event, the rapid growth in cattle feeding was sustained.

With the generally favorable net returns in the industry from 1972 through the first half of 1973, it is not hard to see how the additional equity requirements which occurred during this time were met. The big shock, in terms of meeting equity requirements, came in 1974 when credit institutions increased their equity requirements to feeders because of the losses that began in the fourth quarter of 1973. It is not surprising that the number of cattle placed on feed was well below a year earlier during this time given the unfavorable

price relations. Additional equity was required in the last half of 1975, and it is not clear where this capital came from. It appears this equity may have come from sources other than prior earnings from cattle feeding.

The reductions in net income have substantially affected the level of equity capital for supporting debt. If all of the net income from cattle feeding since 1970 was left intact to accumulate as working capital within the industry, then some equity reserves would exist. However, it is not realistic to assume that there were no withdrawals from net income during this time. Although the level of withdrawals is not known, withdrawals in excess of 25 percent would appear to severely hamper the

ability of the industry to support its debt obligations (table 3).

The impact of the losses sustained in the industry has, of course, varied among individual cattle feeders. While many have had substantial losses, surprisingly few have been forced to liquidate their holdings under foreclosure. Those that expanded or entered the industry in earlier 1973 who did not accumulate earnings from earlier years and were operating at a highly leveraged position were faced with high losses of equity and inadequate reserves to support additional debt during 1974. Firms that raised equity capital through the sale of limited partnership interests were able to shift some of those losses to their

**Table 3—Cattle feeding: Estimated sources of equity capital, and impact on equity reserves with capital withdrawals, 23 States**

Year and quarter	Minimum equity to support debt outstanding <sup>a</sup>	Change in minimum equity	Sources of equity capital		Equity reserves <sup>b</sup>	
			Net income	Total cumulative sources	No net income withdrawal	25% net income withdrawal
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
1969 Initial						
4th .....	802			1,006	204	204
1970						
1st .....	762	-40	165	1,171	409	368
2nd .....	746	-16	189	1,360	614	526
3rd .....	719	-27	88	1,448	729	619
4th .....	770	51	-227	1,221	451	341
1971						
1st .....	748	-22	-3	1,218	470	360
2nd .....	782	34	168	1,386	604	452
3rd .....	716	-66	101	1,487	771	594
4th .....	909	193	235	1,722	813	577
1972						
1st .....	896	-13	478	2,200	1,304	949
2nd .....	924	28	509	2,709	1,785	1,303
3rd .....	927	3	415	3,124	2,197	1,611
4th .....	956	11	183	3,307	2,351	1,719
1973						
1st .....	968	12	625	3,932	2,964	2,176
2nd .....	1,051	83	731	4,663	3,612	3,641
3rd .....	989	-62	404	5,067	4,078	3,006
4th .....	1,044	55	-374	4,693	3,649	2,577
1974						
1st .....	1,096	52	-632	4,061	2,965	1,893
2nd .....	2,137	1,035	-633	3,428	1,297	225
3rd .....	1,654	-477	-426	3,002	1,348	276
4th .....	1,704	50	-442	2,560	856	-216
1975						
1st .....	1,341	-363	-820	1,740	399	-673
2nd .....	1,326	-15	262	2,264	938	-461
3rd .....	1,457	131	439	2,703	1,246	-261
4th .....	1,538	81	141	2,844	1,306	-238
1976						
1st .....	1,432	-106	-213	2,631	1,199	-345
2nd <sup>c</sup> .....	1,473	41	280	2,911	1,438	-176

<sup>a</sup>Minimum equity required by major lenders. <sup>b</sup>Equity reserves are funds in excess of that required to support outstanding debts. <sup>c</sup>Forecast.



investors. As a result of these losses, much of the equity capital provided by limited partnerships was lost or withdrawn from the sector by 1975 (1). Lenders have taken some losses but as a whole most of these loans were by big city banks that were financially able to handle these losses because of more diversified loan portfolios. A study of feedlot financing in Texas indicates that nearly 84 percent of borrowed funds extended for cattle feeding by commercial banks were by banks in large metropolitan areas (2). In addition, some of the equity capital was provided by nonfarm investors and was lost by these individuals and companies who had other nonfarm assets. The matter of who sustained these losses and how much was absorbed by nonfarm investors through equity or debt participation is not known.

One factor that has given resiliency to the industry is that many large commercial custom feedlots have managed to operate at low levels of utilization, some as low as 50 to 60 percent of capacity during 1974 and 1975. These custom feedlots seldom operate wholly on a custom basis, and the cost of production of feedlot-owned cattle is low in view of their production practices and common ownership and/or business arrangements with feed companies, grain elevators, cattle feeders, and other input suppliers. The location of packing plants in close proximity to the large commercial feedlots is another advantage. This concentration and closeness leads to economic advantages in terms of low transportation costs, and less shrinkage and transient losses. These lots are in a position to respond with increased feeding in the event market demand increases and custom clients seek their services. In addition, smaller farmer feeders, in view of their flexibility and diversification possibilities, may be able to respond rapidly to changes in feed grain-fed cattle price relations, giving added resiliency to the industry.

### Conclusions

The estimated debt and equity accounts developed here show that substantial capital losses have occurred with changes in capital requirements within the cattle feeding industry since 1970. It is probably realistic to assume that at least 25 percent of the stream of net income derived from cattle feeding since 1970 was withdrawn from the industry rather than retained for equity reserves.

In the event cattle feeders face higher risks resulting from more volatile fluctuations in feed grain and cattle prices, new sources of equity capital, new financial arrangements, and other adjustments in the industry may be required. Some adjustments are known to have occurred since the heavy losses in 1974. Hedging and use of the

futures markets are now a more common practice among cattle feeders.

Some of the recent losses have probably been offset by profits in the futures markets. Other sources of outside capital have entered the industry with changes in ownership of some of the large commercial feedlots. As an example, feed companies have recently purchased some large feedlots in the Southern Plains, and meat packers periodically feed cattle on a custom basis and may have fed a higher proportion during 1975. Also more feeder cattle producers have maintained the ownership of their cattle through the feedlot phase since 1974.

Many of the large commercial feedlots that cater to custom feeding clients have decreased their average occupancy and have fed a higher proportion of feedlot-owned cattle since 1974. Some new and apparently successful limited partnership operations or "cattle feeding funds" have returned as a source of financing cattle feeding in 1975. These various types of cattle feeders are all currently furnishing equity capital in the industry. It is difficult to generalize, for many are involved and the extent of these several sources of equity capital which have taken up the slack where some was lost is not known.

Market forces will adjust and cattle feeding will remain as an important part of the beef industry. The unanswered question is, will these adjustments be only temporary or does the cattle feeding industry face some more severe long-term adjustment problems? Much depends upon whether or not favorable profits will be forthcoming in the last two quarters of 1976 and first part of 1977.

### Technical Notes

Estimates presented in this report are intended to illustrate the general magnitude of capital flows in the livestock feeding industries, rather than absolute values. However, the absolute values would not be expected to deviate over 10 to 20 percent from those statistically derived. Following are the procedures and assumptions used in developing the accounts.

Accounts are based on treating the transactions of each quarter of the year as if they represented a large pen of cattle. Numbers of cattle placed on feed and cattle marketed are taken from *Cattle on Feed* reports of the Statistical Reporting Service, USDA.

### Cash Flow and Profit and Loss Accounts

Gross receipts from sales of fed cattle are estimated each quarter by multiplying the number of fed cattle marketed in 23 States times average sale price per cwt. (Omaha 900-1100 lb. Choice steers)



times average weight per animal (10.50 cwt.).<sup>2</sup> Operating costs of goods sold are estimated for feeder calves, feeding expenses, and interest charges on operating debt along with a cost for fixed investments. This is then subtracted from gross receipts to arrive at net income.

Operating costs are based on prices paid for feeder steers two quarters prior to the quarter marketed and on average feed prices during the feeding period. Feeder calves are bought at 450 lb. and prices are based on quarterly averages for 400-500 lb. Choice steers in Kansas City. Cattle are assumed to gain 644 lb. (600 lb. net gain plus 44 lb. shrink—4%). Number of head purchased is assumed to be 2 percent more than number sold to allow for death loss. In equational form, operating costs for goods sold during any quarter are:

$$O_{fc} = (1.02 C_t) (P_{f_{t-2}} W_{f_{t-2}})$$

Where  $O_{fc}$  = Cost of feeder calves

$1.02 C_t$  = Number of cattle marketed  
adjusted for 2 percent death loss

$P_{f_{t-2}}$  = Average price of feeder calf in  
t-2 quarter

$W_{f_{t-2}}$  = Initial weight of feeder calf in  
t-2 quarter

$$O_{fe} = (1.02 C_t) (P_G R_{GM} Q_C)$$

Where  $O_{fe}$  = All operating feeding expenses  
except interest charges or debt  
funds used

$P_G$  = Average price of grain (corn) per  
cwt. (Iowa) during feeding  
period

$R_{GM}$  = Feed conversion ratio (cwt. of  
grain per cwt. of meat produced)

$Q_C$  = Total cwt. gained during feeding  
period

<sup>2</sup> Further refinement in estimating gross capital flows could be made by considering the mix of steers and heifers fed, average starting and finish weights, and other factors important in determining costs and receipts. However, preliminary analysis indicates that further refinement to include these variables would not change the general conclusion reached by the study.

Interest charges are based on the level of debt funds outstanding during the feeding period times the Production Credit Association's average interest rate.

These estimates serve as a proxy for determining costs for feed and related operating expenses. Costs for current marketings are based on the number of cattle actually sold each quarter and not actual placements. This avoids the inventory problem as sales are never actually the same as placements two quarters earlier.

Costs of fixed investments include interest expense on long-term investment debt and depreciation on long-term fixed capital. Debt on long-term capital is based on a 3:1 debt leverage for capital investments of \$45 per head capacity in pens, land, feeding facilities, equipment, etc., amortized over 10 years at 9 percent.

### Debt and Equity Account

Debt accounts are based on the level of loan funds normally extended by major lenders for cattle feeding operations. Debt repaid is from current gross receipts and for debt incurred on feeder calves and feeding expenses during the previous two quarters. Estimates of new debt for placements are for loan funds to meet the costs of calves and anticipated feeding expenses over the feeding period. Minimum equity requirements by major lenders are based on the margin required on new loans for calves and feed during the quarter. Equity reserves are funds in excess of that required to support outstanding debts. The level of debt outstanding is determined by adding to, or subtracting from, the cumulative debt from earlier quarters. The starting point for debt outstanding is as of January 1, 1970, and is based on the assumption of a 3:1 leverage ratio on the value of cattle on feed.

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